

STATE OF INDIANA

Drinking Water State Revolving Fund Loan Program



**Annual Report
State Fiscal Year 2009
July 1, 2009**

STATE OF INDIANA
DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM
STATE FISCAL YEAR 2009 ANNUAL REPORT

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I. INTRODUCTION

Pursuant to 40 CFR 35.3570, the State of Indiana (State), acting through its Indiana Finance Authority (Authority), submits an Annual Report for the Drinking Water State Revolving Fund Loan Program (DWSRF Loan Program) to the Regional Administrator of the U.S. Environmental Protection Agency (EPA), Region V.

This Annual Report is for State Fiscal Year (SFY) 2009 (July 1, 2008 - June 30, 2009). It is prepared in accordance with Section 1452 of the Safe Drinking Water Act (SDWA), as amended, 42 U.S.C. 300j-12, and with 40 CFR 35.3570.

II. PROGRAM MANAGEMENT - 40 CFR 35.3570 (a)(3)(i)

Indiana Code 13-18-21 and 4-4-11 governs the establishment and administration of the DWSRF Loan Program by the Authority.

III. GOALS AND OBJECTIVES OF THE SFY 2009 INTENDED USE PLAN – 40 CFR 35.3570 (a)(1)

The purpose of the DWSRF Loan Program is to provide low-cost financial assistance in order to construct necessary and environmentally sound drinking water infrastructure; to facilitate statewide compliance with state and federal drinking water standards; to maintain a fiscally self-sufficient program as a continuing source of funding for improvement and protection of public health; and, to conduct any other activity permitted by the Safe Drinking Water Act.

To accomplish these intentions, the Authority set short-term and long-term goals and objectives as part of the SFY 2009 Intended Use Plan (IUP). A description of how the DWSRF Loan Program has achieved these goals or is working toward them is in Exhibit A.

IV. ENVIRONMENTAL REVIEW– 40 CFR 35.3570 (a)(3)(xii-xiii)

All DWSRF Loan Program-funded projects and activities were in compliance with Federal Cross-Cutting Authorities and State Environmental Review Procedures (SERP). The description of each project funded in SFY 2009 is attached in Exhibit B.

V. STATE MATCH – 40 CFR 35.3570 (a)(3)(ii)

The Authority has fully met its State Match requirements through the end of SFY 2009 by means of depositing the net proceeds from revenue bonds issued by the Authority into the Drinking Water State Revolving Loan Fund (DWSRF). The State deposited no additional State match in the DWSRF Loan Program in SFY 2009. To date, the DWSRF Loan Program State Match has aggregated in excess

of 20% of the awarded \$135,636,100 capitalization grants (Exhibit C) through June 30, 2009, as summarized in the table of cumulative State Match set forth in Exhibit D. This report details State Match deposited in the DWSRF through the end of SFY 2009, the sources of such State Match, and how repayment of revenue bonds providing any such State Match has been (and will continue to be) managed in a manner consistent with federal and state law.

VI. BINDING COMMITMENTS – 40 CFR 35.3570 (a)(3)(iii)

During SFY 2009, the DWSRF Loan Program closed 11 loans totaling \$27,282,600. Of these 11 loans, 6 loans received funds, totaling \$6,719,600, from the “American Recovery and Reinvestment Act of 2009” (ARRA) enacted on February 17, 2009. Since the DWSRF Loan Program’s inception in 1997, 123 loans aggregating approximately \$340 million have been closed, which is more than two times the amount of federal capitalization grants that have been awarded to the DWSRF Loan Program (\$135,636,100). For a summary of all loans closed by the DWSRF Loan Program during SFY 2009, please see Exhibit E.

VII. EXPEDITIOUS AND TIMELY USE OF FUNDS – 40 CFR 35.3550 (I)

The DWSRF Loan Program is a leveraged program and has established itself as a highly rated borrower in the national bond market. The Authority has utilized its capitalization grants to leverage multiple series of bonds, aggregating over \$263 million in outstanding principal as of June 30, 2009, a portion of which has funded DWSRF Loan Program loans. A summary of the accounts and associated balances are set forth in Exhibit F: Expeditious and Timely Use of Funds, attached hereto. Future bond issuances are expected to be used to fund new commitments related to new loans in future years. The balance of the bond proceeds not available for loans are used for reserve funds, administrative expenses, costs of issuance, etc.

A. Interest Rates

The Authority recognizes the continued need to balance the level of subsidy (that is, the cost of offering loans at below-market interest rates) with the inherent limited capacity of the DWSRF Loan Program to meet demand for loans and community affordability constraints. This balancing is reflected in the Authority’s present interest rate policy.

Interest rates applied to new loans are reset on the first business day of each January, April, July and October using a Base DWSRF Program Interest Rate (Base Rate). The Base Rate is calculated by using 90 percent of the average 20-year, AAA-rated general obligation bond Municipal Market Data (MMD) composite index for the most recent calendar month. The Base Rate is then discounted further based upon a borrower’s Median Household Income (MHI) from the 2000 Census data and projected user rates. User rate information is reviewed by the DWSRF Loan Program staff to finalize a DWSRF Loan Program interest rate.

The DWSRF Loan Program interest rates ranged from 2.77% to 4.72%, during SFY 2009. A summary of the actual interest rates for each quarter of SFY 2009 is set forth in Exhibit G, attached hereto.

The subsidized DWSRF Loan Program interest rate has provided aggregate savings of \$16,633,005 to Participants closing a DWSRF Loan Program loan during SFY 2009. See Exhibit E for savings provided to each Participant.

B. Terms

Consistent with applicable law, all DWSRF Loan Program loans closed in SFY 2009 were structured with annual principal repayments commencing one year after expected completion of the proposed project and a final principal payment no later than 20 years after expected completion of the proposed project.

C. Other Assistance Provided

During SFY 2009, the DWSRF Loan Program provided \$6,719,600 in ARRA funds to 6 loan recipients. All ARRA funds were provided in the form of principal forgiveness, thereby enabling the Authority to meet the ARRA requirement to provide 50% of the ARRA funds in the form of forgiveness of principal, negative interest loans or grants or any combination of these.

The amount of principal forgiveness was determined based on a community's median household income and user rates. Thus, a lower median household income and a high user rate afforded a community a greater amount of principal forgiveness than a community with a high MHI and a low user rate. (See matrix below which identifies the percentage of the principal forgiveness.) When project costs exceeded the amount of principal forgiveness, a community had the choice to either fund the balance with cash-on-hand or close a traditional DWSRF loan. Interest rates were set using the standard interest rate structure.

MHI	User Rates (Over \$45)	User Rates (\$25 to \$45)	User Rates (Under \$25)
under \$33,669	75% principal forgiveness	60% principal forgiveness	40% principal forgiveness
\$33,670 to \$41,566	60% principal forgiveness	50% principal forgiveness	30% principal forgiveness
over \$41,567	50% principal forgiveness	40% principal forgiveness	25% principal forgiveness

During SFY 2009, the DWSRF Loan Program did not provide any DWSRF Pooled Loans, a program that offers eligible Participants the "AAA" interest rate that is available to the DWSRF Loan Program at the time of their loan closing.

During SFY 2009, the DWSRF Loan Program did not refinance any projects.

D. Fees – 40 CFR 35.3570 (a)(3)(ix)

The cost of making and securing loans includes the fees and expenses of the SRF Trustee Bank. The Authority may require Participants to offset some of these costs through a Loan Closing Fee, which is \$1,000 per Participant. The DWSRF Loan Program may also assess a Non-Use Fee on funds not used for project costs two years following the loan closing. In SFY 2009, the DWSRF Loan Program collected \$10,000 in Loan Closing Fees. The DWSRF Loan Program has not collected Non-Use Fees from a Participant, to date.

E. Transfers – 40 CFR 35.3570 (a)(3)(x)

The State permits transfers between the DWSRF Loan Program and the CWSRF Loan Program of capitalization grants and other funds held in or allocable to such funds to the extent permitted by the Clean Water Act (CWA) and the SDWA. There were no transfers in SFY 2009. For a historic summary of transfers, see Exhibit H.

F. Cross Collateralization – 40 CFR 35.3570 (a)(3)(xi)

To the extent permitted by the CWA and the SDWA, and their incumbent regulations, the State has cross-collateralized the CWSRF and the DWSRF Loan Programs to optimize their capitalization requirements and to better manage the specific funding needs of projects assisted through them.

This cross-collateralization arrangement maximizes the security for bonds issued by the State to capitalize the SRF Loan Programs. Accordingly, this could relate to and affect all types of funds held in them. The State expects that any such transfers would occur at any time necessary to prevent a default on any such bonds and would be made between accounts established for like purposes and subject to like restrictions. To date, no transfers of this nature have been made.

The State expects to retain the flexibility to reimburse, on a cumulative net basis, any transfers made under a cross-collateralization arrangement. Because such a cross-collateralization arrangement is a contingent security concept and transfers are not expected or planned to occur, the State does not expect this arrangement to affect negatively the funding capacity of the SRF Loan Programs. However, if such transfers occur and are not reimbursed, it may affect the SRF Program's ability to make some volume of additional loans it otherwise might have been able to make.

G. DWSRF Loan Program Financial Statements

The DWSRF Loan Program is audited annually by an independent certified public accounting firm. For SFY 2009, ended June 30, 2009, the DWSRF Loan Program received an unqualified opinion from an independent auditor, which is provided as Exhibit I.

The DWSRF Loan Program is audited annually for compliance with the requirements set forth in the U.S. Office of Management and Budget (OMB)

Circular A-133. For SFY 2009 ended June 30, 2009, the DWSRF Loan Program was determined to be “in compliance,” as noted in the Schedule of Expenditures of Federal Awards and OMB Circular A-133 Auditor’s Reports. The A-133 report is provided as Exhibit J.

H. Federal Requirements

The Authority has fulfilled all applicable federal requirements: assurances and certifications provided in the IUP have been met; closed loans equal more than the required 120% of each quarterly capitalization grant payment and were made within one year of receipt of all payments; all funds have been used in a timely and expeditious manner; and environmental reviews have been done in accordance with federal and State law. All loans made during the SFY 2009 had related projects listed on the Authority's Project Priority List (PPL).

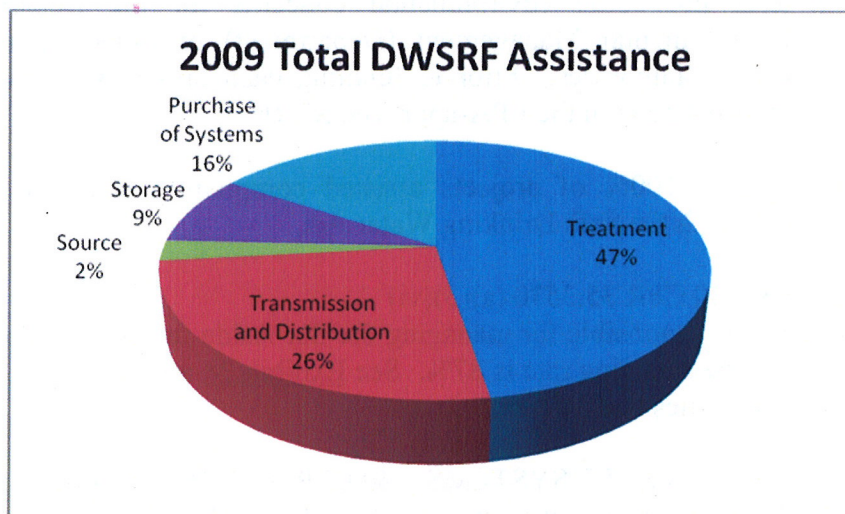
I. Compliance with 40 CFR Part 31 – 40 CFR 35.3570 (a)(3)(xiv)

The DWSRF Loan Program complied with all requirements of 40 CFR Part 31.

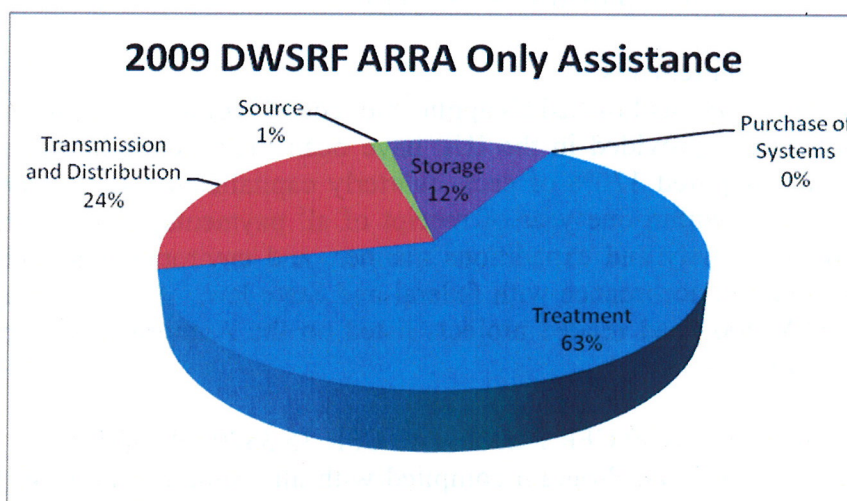
VIII. PROJECTS FUNDED – 40 CFR 35.3570 (a)(3)(iv)

The scoring and ranking system of the DWSRF Loan Program continues to focus on those projects with the greatest public health need. A map showing the location of these projects is attached as Exhibit K. A map showing the location of all projects funded since the inception of the DWSRF Loan Program is attached as Exhibit L.

Drinking water treatment projects accounted for approximately half of the total DWSRF assistance provided in SFY 2009, as shown in the *2009 Total DWSRF Assistance* pie chart below.



Whereas, drinking water treatment projects accounted for 63% of SFY 2009 DWSRF ARRA-only assistance, as shown in the *2009 DWSRF ARRA Only Assistance* pie chart below.



IX. ELIGIBILITY – 40 CFR 35.3570 (a)(3)(v)

All projects funded during SFY 2009 were reviewed for eligibility. It is the goal of the DWSRF Loan Program to ensure that each project:

- A. allows the Participant to achieve or maintain compliance with the SDWA;
- B. allows the Participant to provide drinking water of adequate quality and quantity to residents;
- C. allows the Participant to achieve or maintain technical, financial, and managerial capacity;
- D. does not cause environmental concerns for the Department of Environmental Management (Department) or other environmental review authorities. Prior to funding, each project was reviewed in accordance with the EPA-approved SERP.

In SFY 2009, 100% of projects assisted compliant systems to maintain compliance with the Safe Drinking Water Act.

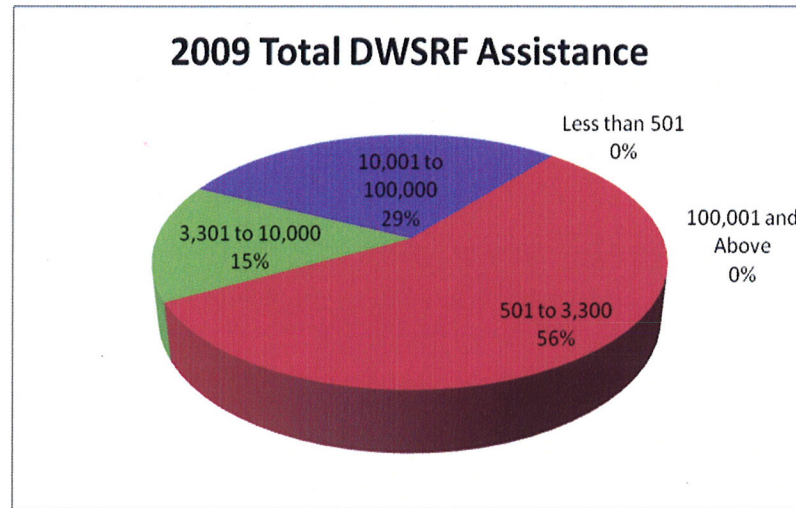
X. SET-ASIDES – 40 CFR 35.3570 (a)(3)(vi)

The Authority is responsible for managing the Set-Aside funds. The Authority's average Set-Aside spending rate is 87%. See Exhibits M and M-1 for a summary of Set-Aside activities and balances.

XI. ASSISTANCE TO SMALL SYSTEMS – 40 CFR 35.3570 (a)(3)(vii)

The Authority must provide at least 15% of the DWSRF to small systems, defined as a public water system that regularly serves 10,000 or fewer persons. In SFY 2009, 71% of funds went to systems serving fewer than 10,000 persons.

Cumulatively, the DWSRF Loan Program has provided 45% of funds to small systems.



XII. DISADVANTAGED COMMUNITIES – 40 CFR 35.3570 (a)(3)(viii)

The Authority defines a disadvantaged community as one with both 1) MHI below \$33,669, as established by the 2000 US Census, and 2) an estimated post project user rate greater than \$45.00 per month. These communities are eligible to receive the lowest interest rate the Authority provides to DWSRF Loan Program Participants. See Section VII.A of this report for a description of the DWSRF Loan Program's interest rate structure.

During SFY 2009, approximately \$6.7 million was provided to 6 disadvantaged communities. The total disadvantaged population served was 46,601 persons.

Exhibit A
DWSRF Loan Program Report on Goals and Objectives of SFY 2009

The DWSRF Loan Program sets short- and long-term goals as required by 40 CFR 35.3555(c)(5). Short-term goals and objectives are those the State expects to achieve during SFY 2009, while long-term goals and objectives are those the State expects to achieve over a longer period.

A. Short-Term Goals and Objectives

During SFY 2009, the DWSRF Loan Program expects to achieve the following short-term goals and objectives:

(ST1a) Seek the immediate award of the FFY 2009 Capitalization Grant. Upon award, continue to disburse loan proceeds such that the 2009 Capitalization Grant can promptly be utilized.

The Authority applied for the FFY 2009 Capitalization Grant (\$11,367,000) on June 3, 2009. The DWSRF Loan Program will disburse loan proceeds in a timely manner.

(ST1b) Seek the immediate award of the Capitalization Grant appropriated under the ARRA. To expedite spending under the ARRA and to meet the requirements of the ARRA, the DWSRF Loan Program will disburse the loan proceeds from the ARRA capitalization grant first.

The Authority applied for the Capitalization Grant appropriated under the ARRA (\$27,212,000) on June 3, 2009.

(ST1c) Seek to use funds appropriated under the ARRA in a manner that maximizes job creation and economic benefit. Prioritize those projects that are ready to proceed to construction within 120 days of enactment of the ARRA.

The Authority received 115 drinking water applications for ARRA funds. The Authority prioritized SRF eligible ARRA projects based on readiness to proceed.

(ST1d) The DWSRF Loan Program estimates that it will close enough loans by July 1, 2009 that will cover all of its ARRA funds.

As of July 1, 2009, the Authority has closed six ARRA loans which total \$6,719,100 of ARRA funds.

(ST2) Utilize the EPA pilot program "DWSRF Public Health Benefits Reporting System" to evaluate the benefits of the Indiana DWSRF Loan Program. Among other parameters, the reporting system will evaluate the number of Indiana DWSRF projects that provide the following public health benefits:

1. Achieve compliance with the Safe Drinking Water Act;
2. Maintain compliance with the Safe Drinking Water Act; and
3. Meet future requirements of the Safe Drinking Water Act.

11 loans were made in SFY 2009; 100% of projects assisted compliant systems to "maintain compliance" with the Safe Drinking Water Act.

(ST3) Conduct at least 30 technical inspections during the construction phase and the post-construction phase to document the construction progress, as well as the appropriate use of SRF funds.

SRF Loan Program staff completed 16 drinking water and 34 inspections in SFY 2009.

(ST4) Conduct at least 6 SRF financial site visits to assess Participants financial strength and their ability to repay loans, and work with Participants as needed.

SRF Loan Program staff completed 16 financial site visits in SFY 2009.

(ST5) Administer the State's Small System Technical Assistance Fund Program with the goal of providing needed financial assistance for the planning and design costs of SRF projects contemplated by small and low income communities.

During SFY 2009, the Authority disbursed two SSTAF grants, which totaled \$50,000. Both grants were for \$25,000.

(ST6) Administer the Arsenic Grant Remediation Program with the goal of providing financial assistance for compliance with the arsenic standard to all SRF eligible public water systems that currently cannot meet the newly lowered standard.

During SFY 2009, the Authority disbursed 10 Arsenic Remediation Grants, which totaled \$525,933.85. These grants were funded from a combination of the State Program Management Set-Aside (\$31,279.00) and State Supplemental funds (\$494,654.85), with the Set-Aside funds paying for planning and design and the State Supplemental funds paying for construction costs.

(ST7) Begin to develop the structure of the new Wellhead Abandonment Program.

A Well Closure Assistance Program proposal was developed and submitted to EPA on December 1, 2008. The initial EPA review was favorable. The Authority plans to incorporate the program in its SFY 2010 IUP.

(ST8) Work diligently with Participants and effectively manage Proposed Projects to assist Participants in closing loans and constructing projects in a timely, efficient manner. This is accomplished by the following metrics:

(ST8a) Schedule a Project Planning Meeting with each Participant within two weeks of receipt of application.

With the exception of ARRA applications, a Project Planning Meeting was scheduled within two weeks of receipt of an application.

(ST8b) Issue a follow-up letter to each Participant within 5 days after a Project Planning Meeting.

With the exception of ARRA applicants, a Project Planning Meeting follow up letter was issued within 5 days following the meeting.

(ST8c) Perform a completeness review within 10 days of receipt of a Preliminary Engineering Report.

In SFY 2009, on average, a completeness review was performed within 16 days of receipt of Preliminary Engineer Report. This figure includes the ARRA applicants. The

completeness review of ARRA applications that were not ready to proceed was purposefully delayed.

(ST8d) Complete a technical review of each Preliminary Engineering Report in less than 45 days.

In SFY 2009, on average, a technical review was performed within 23 days. This figure includes the ARRA applicants.

(ST8e) Issue environmental review documents in less than 90 days.

In SFY 2009, on average, an environmental review document was issued within 32 days. This figure includes the ARRA applicants.

(ST8f) Approve bidding documents in less than 5 days.

In SFY 2009, on average, authorization to bid was issued within 5 days. This figure includes the ARRA applicants.

(ST9) Work diligently to identify and fund projects that address or have components of green infrastructure, water or energy efficiency improvements or other environmentally innovative activities in them. To the extent there are sufficient eligible project applications, the DWSRF Loan Program will ensure that not less than 20% of the funds appropriated under the ARRA shall be for the above type projects.

Fifteen projects with green infrastructure components have been identified that will enable the Authority to meet the 20% goal. To date, construction has not yet progressed to a point to allow the Authority to disburse any funds toward green infrastructure components.

(ST10) The DWSRF Loan Program shall report no less than weekly on the use of the funds provided under the ARRA. The Drinking Water Project Tracking System will be used to gather information regarding key project characteristics and milestones. Project data shall be entered into the reporting system as soon as loan agreements are signed with recipients. The DWSRF Loan Program shall meet all reporting requirements established under the ARRA.

The Authority began weekly reporting on May 22, 2009 and will continue as required.

B. Long-Term Goals and Objectives

During SFY 2009, the State will continue to work to achieve the following long-term goals:

(LT1) Provide financial assistance to current and future Participants, by providing low-cost financing commensurate with prudent fiscal and credit standards.

Yes. Eleven loans were closed with interest rates ranging from 3.15-3.88%. See Exhibit F, Summary of Closed Loans for SFY 2009.

(LT2) Maintain the long-term financial integrity of the DWSRF by judiciously managing its assets in order to realize a rate of return that will sustain the DWSRF in perpetuity.

The SRF Loan Program continues to manage the investment and programmatic use of its funds to maintain its financial integrity.

(LT3) Monitor all outstanding loans and the financial capability of Participants through the use of an in-house monitoring system and, in conjunction with the Bank of New York, ensure the DWSRF Loan Program continues to avoid loan defaults. In particular, review the financial statements for Participants receiving a State Board of Accounts audit in the current calendar year. Require new Participants to utilize paying agent agreements and offer all prior Participants the opportunity to enter into a paying agent agreement. Conduct financial on-site visits as warranted.

The SRF Loan Program monitors all participants. For those participants with a Paying Agent Agreement, the SRF Loan Program monitors both the debt service reserve account and the bond and interest account on a quarterly basis. For participants without a Paying Agent Agreement, the SRF Loan Program monitors debt service balances by requesting the balance and a copy of the Participant's bank statement. In addition, the SRF Loan Program staff completed 16 financial site visits in SFY 2009.

(LT4) Leverage EPA Capitalization Grants to generate loans that exceed two-times the awarded grant amounts.

The SRF Loan Program continues to access the public debt market to leverage EPA capitalization grants. This leveraging structure allows the SRF Loan Program to close loans in an aggregate amount of over two-times the awarded grant amounts.

(LT5) Monitor Participant's draw of funds to assure loans are being drawn within two years. Assure that un-drawn funds are returned to the DWSRF loan pool and made available to other Participants.

The SRF Loan Program continues to monitor all Participants' use of funds. As loans are closed out and reamortized, any unused loan funds are made available to other Participants on the Project Priority List.

(LT6) Submit required reports to EPA in a well-prepared and timely manner, and ensure that EPA funds are accessed within one week of being made available to the State.

Intended Use Plans, Annual Reports, and National Infrastructure Management System data are well-prepared and submitted to EPA in a timely manner.

(LT7) Monitor DWSRF Set-Aside uses and activities and reconcile balances to EPA Set-Aside account balances quarterly. Continue to encourage the transfer of unused balances to the DWSRF, thereby increasing the DWSRF Set-Aside spending rate.

The Authority continues to quarterly reconcile Set-Aside balances. The 2004 Capitalization Grant was fully drawn by its grant closeout date of December 31, 2008.

(LT8) Provide at least 15% of the DWSRF to systems serving fewer than 10,000 persons.

In SFY 2009, 64% of funds went to systems serving fewer than 10,000 persons.

(LT9) Publish a quarterly SRF Loan Program newsletter.

Newsletters were published summer 2008 and fall 2008 via the SRF listserv.

(LT10) Work with the other State and Federal drinking water infrastructure financing agencies to coordinate efficient and effective financing of drinking water projects.

The DW and WW Program Administrators continue to participate on the Indiana Rural Development Council's Environmental Infrastructure Working Group (EWIG), which bring State and Federal funding agencies together for a one-stop-shop for communities seeking funding for infrastructure projects.

The DW and WW Program Administrators have completed the Office of Community and Rural Affairs Community Development Block Grant - Grant Administration certification, which furthers their knowledge of this agency's program.

(LT11) Develop a comprehensive database for staff to reference all information related to each SRF project.

The Authority is partnering with the Indiana Department of Environmental Management to contract the development of a comprehensive agency tracking system, which will act as a database for SRF project information.

(LT12) Complete a drinking water technical training course to ensure that all SRF Loan Program technical reviewers can competently review both wastewater and drinking water Proposed Projects.

SRF Loan Program technical reviewers met bimonthly from February 2008 – February 2009, completing 50% of the course. The training was put on hold due to the ARRA but will resume in fall 2009. So far, technical reviewers are trained to review distribution system, booster station, and water storage tank improvements, and the beginnings of treatment plant improvements.

(LT13) Coordinate the co-funding of an Indiana Finance Authority Brownfield Program and DWSRF Loan Program project.

Although the Brownfields Program and DWSRF Loan Program staff tracked and discussed potential co-funding opportunities, a co-funded project did not come to fruition.

(LT14) Work diligently with Participants and effectively manage Proposed Projects so as to meet all of the requirements of the ARRA, including the following:

(LT14a) Ensure that projects to be funded under ARRA are under a binding commitment and are under contract or construction within 12 months of the date of enactment of the ARRA. Priority of funds shall be given to projects on the PPL that are ready to proceed to construction within 120 days after the date of the enactment of the ARRA.

As of July 1, 2009, the Authority closed six ARRA loans which total \$6,719,100 of ARRA funds. The Authority prioritized SRF eligible ARRA projects that are ready to proceed.

(LT14b) Ensure that none of the funds appropriated may be used for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project is produced in the United States unless a waiver is given by EPA. This requirement shall be applied in a manner consistent with the U.S. obligations under international agreements.

The Authority required all Participants receiving ARRA funds to certify that the project complies with the ARRA Buy American requirement.

(LT14c) The DWSRF Loan Program shall report no less than weekly on the use of the funds provided under the ARRA. The Drinking Water Project Tracking System will be used to gather information regarding key project characteristics and milestones. Project data shall be entered into the reporting system as soon as loan agreements are signed with recipients. The DWSRF Loan Program shall meet all reporting requirements established under the ARRA.

The Authority began weekly reporting on May 22, 2009 and will continue as required.

(LT14d) Ensure that Davis-Bacon Act wage rules apply to all assistance agreements made in whole or in part with the funds appropriated under the ARRA.

The Authority has required all Participants receiving ARRA funds to certify that the project complies with the ARRA Davis-Bacon requirement.

(LT14e) Notwithstanding the requirements of section 1452(a) (2) of the SDWA, ensure that not less than 50 percent of the capitalization grant appropriated under the ARRA shall be used to provide additional subsidization in the form of forgiveness of principal, negative interest loans or grants.

100% of the capitalization grant appropriated to the Authority under the ARRA will provide additional subsidization in the form of principal forgiveness.

(LT14f) Section 1452(k) of the SDWA shall not apply to funds received under the ARRA.

The Authority will take no Set-Asides under section 1452(k) of the SDWA.

(LT15) Develop and administer the Wellhead Abandonment Program with the goal of reducing the risk of groundwater contamination by properly sealing abandoned wells.

A Well Closure Assistance Program proposal was developed and submitted to EPA on December 1, 2008. The initial EPA review was favorable. The Authority plans to incorporate the program in its SFY 2010 IUP.

Exhibit B
SFY 2009 DWSRF Project Descriptions

DWSRF Participant: Santa Claus	
SRF Project #: DW 06067401	DWSRF Loan Closed: 10/30/08
PWS ID #: IN5274010	DWSRF Loan Amount: \$6,200,000
Repayment Period: 20 yrs	Estimated SRF Savings: \$1,543,221
NIMS Categories: Treatment: \$2,758,309 Transmission & distribution: \$2,914,076 Source: \$527,615	Affected Population: Before project: 2,040 After project: 2,040
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: The Santa Claus water utility purchased surface water from a regional water district. At times, water demand often exceeded supply, and, occasionally, a Boil Water Advisory had to be issued due to very low water pressures. The regional water district could not provide additional supply. The Santa Claus water utility did not have a backup water source. In response, the utility installed a new wellfield with two new wells, a 95,000-foot transmission main, and iron and manganese removal water treatment plant. The new supply and treatment capabilities will allow the utility access to a reliable water source. The project was co-funded with a \$2,000,000 grant from the Economic Development Administration.	

DWSRF Participant: Ingalls	
SRF Project #: DW 19910703	DWSRF Loan Closed: 12/19/08
PWS ID #: IN5248012	DWSRF Loan Amount: \$415,000
Repayment Period: 20 yrs	Estimated SRF Savings: \$109,685
NIMS Categories: Storage: \$415,000	Affected Population: Before project: 3,100 After project: 3,100
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: Due to the addition of ~200 new homes per year and a newly platted subdivision of 850 units, Ingalls needed to add an additional 60,000 gallons per day of storage annually. In response, Ingalls will install a 300,000 gallon elevated water pedestal tank, new controls, and approximately 1,000 feet of main to connect the tower to the distribution system. The town required additional funds to complete this project due to increased bid costs.	

DWSRF Participant: Converse	
SRF Project #: DW 08035201	DWSRF Loan Closed: 12/30/08
PWS ID #: IN5252006	DWSRF Loan Amount: \$695,000
Repayment Period: 20 yrs	Estimated SRF Savings: \$227,745
NIMS Categories: Transmission & distribution: \$298,978 Storage: \$396,022	Affected Population: Before project: 1,137 After project: 1,137
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: The Town of Converse has one 125,000 gallon water storage tower that was under sized and had reached end of useful life; it was constructed in 1936. Over the past several years, it had sustained many leaks and needed more frequent repairs. In addition, the Town suspected that lead-based paint was in the tank coating making rehabilitation of the tank cost-prohibitive. The Town also needed to make improvements to its distribution system which was also installed in the 1930's. The majority of lines is 4-inch and encrusted with iron deposits reducing the pressure and flow through the system. In addition, there are several dead-end lines that need looping to improve water quality. In response, Converse installed a new 250,000 gallon elevated storage tank and 4,600 feet of 8-inch water main. These improvements will ensure the Town has adequate storage, pressure and flow throughout the system. The DWSRF Loan Program awarded Converse a Small System Technical Assistance Fund grant of \$25,000 for planning and design costs. The Community Development Block Grant Program co-funded this project.	

DWSRF Participant: Boonville	
SRF Project #: DW 05018601	DWSRF Loan Amount: \$1,757,500
PWS ID #: IN5287001	Principal Forgiveness: \$1,757,000
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$3,514,500
DWSRF Loan Closed: 4/30/09	Estimated SRF Savings: \$3,435,406
NIMS Categories: Treatment: \$3,368,134 Storage: \$146,866	Affected Population: Before project: 10,260 After project: 10,260
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: The City of Boonville's water treatment plant was constructed in 1976 and could only produce 74% of its treated water design capacity. Many components had reached end of useful life. For instance high service booster pumps had been rebuilt four times. Replacement and expansion was necessary. In response, the City constructed a new 2,000 gallon per minute treatment plant and also sand-blasted and repainted an existing elevated storage tank.	

DWSRF Participant: North Manchester

SRF Project #: DW 08078502

DWSRF Loan Amount: \$2,845,000

PWS ID #: IN5285009

Principal Forgiveness: \$1,230,000

Repayment Period: 20 yrs

Total Loan and Principle Forgiveness: \$4,075,000

DWSRF Loan Closed: 5/7/09

Estimated SRF Savings: \$2,677,431

NIMS Categories:

Treatment: \$4,075,000

Affected Population:

Before project: 6,260

After project: 6,260

This Project:

Assists a compliant system to maintain compliance with the Safe Drinking Water Act.

Project Description:

The town of North Manchester's water treatment plant was over 40 years old. Many of its components were nearing or have exceeded their useful life; the plant could not be expanded to meet 20-year growth projections. The concrete detention tank and salt storage tank were aging and rebar was partially exposed and rusting. Only part of the plant had backup power and there is no automatic transfer switch. The roof needs repair. In response, the town constructed a new 1.36 million gallons per day water filtration plant. The new plant includes a new masonry building with ion exchange water softening, chemical addition, and plant controls. New water mains were installed to connect the new plant with the existing raw water and finished water mains. These improvements will allow the utility to continue to provide safe drinking water. The DWSRF Loan Program awarded North Manchester a Small System Technical Assistance Fund grant of \$25,000 for planning and design costs.



(Above) New filtration vessels at the North Manchester treatment plant. (Right) New aerator outside the new treatment building.



DWSRF Participant: Liberty	
SRF Project #: DW 09048102	DWSRF Loan Amount: \$695,000
PWS ID #: IN5281001	Principal Forgiveness: \$463,600
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$1,158,600
DWSRF Loan Closed: 5/11/09	Estimated SRF Savings: \$949,459
NIMS Categories: Transmission & Distribution: \$1,158,600	Affected Population: Before project: 2,061 After project: 2,061
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: The Town of Liberty needed to replace an 8-inch cast iron water line installed in 1960 that was severely corroded to the point of causing 17 water lines breaks in 2008 alone. In response, the Town replaced about 15,000 feet of water main to ensure a continuation of water service.	

DWSRF Participant: Madison	
SRF Project #: DW 08103902	DWSRF Loan Amount: \$766,500
PWS ID #: IN5239006	Principal Forgiveness: \$328,500
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$1,095,000
DWSRF Loan Closed: 5/13/09	Estimated SRF Savings: \$716,523
NIMS Categories: Treatment: \$180,097 Transmission & Distribution: \$914,903	Affected Population: Before project: 14,955 After project: 14,955
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: The city of Madison had areas in its distribution system that suffered from low pressure, supply, and water quality issues due to old and undersized water lines. In response, the city replaced approximately 9,200 feet of water main to improve pressure, flow and water quality.	

DWSRF Participant: Jackson County Water Utility	
SRF Project #: DW 08043601	DWSRF Loan Amount: \$1,650,000
PWS ID #: IN5236003	Principal Forgiveness: \$1,650,000
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$3,300,000
DWSRF Loan Closed: 6/1/09	Estimated SRF Savings: \$3,226,060
NIMS Categories: Treatment: \$240,483 Transmission & Distribution: \$1,762,173 Source: \$158,213 Storage: \$1,139,131	Affected Population: Before project: 10,262 After project: 10,262
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: Jackson County Water Utility's distribution system had problems with about 30,000 feet of aging PVC water mains that had deteriorated, leading to main breaks and interruptions in service. In addition, the utility had concerns about the integrity of the transmission main connecting the treatment plant and the East Fork White River; a main break would cease water service to ~2,400 customers. The utility's 85,000 gallon clear well was undersized; it could be emptied in 34 minutes. Two wells were 47-50 years old and have reached end of useful life; production was diminishing. In response, Jackson County will replace about 30,000 feet of distribution system main and install about 3,000 feet of transmission main to reinforce the East Fork water source. The utility also constructed a 750,000 gallon clearwell, installed one new well, and built a maintenance building.	

DWSRF Participant: Whitestown	
SRF Project #: DW 05160602	DWSRF Loan Amount: \$3,255,000
PWS ID #: IN5206006	Principal Forgiveness: \$0
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$3,255,000
DWSRF Loan Closed: 6/1/09	Estimated SRF Savings: \$916,612
NIMS Categories: Purchase of System: \$3,255,000	Affected Population: Before project: 2,200 After project: 2,200
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: In order to improve financial stability, the town of Whitestown purchased Boone County Utilities, a private water utility, by means of a Bond Anticipation Note, which is now due. This utility acquisition ensured that the water supplier has the financial capability to provide water service to its customers.	

DWSRF Participant: Cedar Lake / Utilities, Inc.	
SRF Project #: DW 050445 01	DWSRF Loan Amount: \$994,000
PWS ID #: IN5245047	Principal Forgiveness: \$0
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$994,000
DWSRF Loan Closed: 6/1/09	Estimated SRF Savings: \$308,697
NIMS Categories: Purchase of System: \$994,000	Affected Population: Before project: 1,923 After project: 1,923
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: In order to improve financial stability, the town of Cedar Lake purchase Utilities, Inc., a private water utility. Cedar Lake accomplished this via the purchase of Utilities Inc.'s SRF debt service. The SRF Loan Program financed the original Utilities, Inc. drinking water improvement project via a loan which closed on July 22, 2005. This utility acquisition will ensure that the water supplier has the financial capability to provide water service to its customers.	

DWSRF Participant: Churubusco	
SRF Project #: DW 10119301	DWSRF Loan Amount: \$1,290,000
PWS ID #: IN5292003	Principal Forgiveness: \$1,290,000
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$2,580,000
DWSRF Loan Closed: 6/22/09	Estimated SRF Savings: \$2,522,192
NIMS Categories: Treatment: \$2,293,333 Storage: \$286,667	Affected Population: Before project: 1,666 After project: 1,666
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: The Town of Churubusco's water treatment could no longer treat water to acceptable levels; iron and manganese caused staining to laundry, dishes, and fixtures. In addition, the Town's elevated water storage tank need to be recoated. In response, the Town built a new iron filtration plant, office building, and installed about 500 feet of main to connect the new plant to the distribution system. The Town also recoated the existing elevated storage tank.	

Exhibit C
Cumulative History of Federal DWSRF Capitalization Grants

\$ 25,371,806	FFY 1997 Federal Capitalization Grant
\$ 8,687,500	FFY 1998 Federal Capitalization Grant
\$ 9,105,300	FFY 1999 Federal Capitalization Grant
\$ 8,989,850	FFY 2000 Federal Capitalization Grant
\$ 9,159,460	FFY 2001 Federal Capitalization Grant
\$ 8,955,100	FFY 2002 Federal Capitalization Grant
\$ 9,398,200	FFY 2003 Federal Capitalization Grant
\$ 9,749,300	FFY 2004 Federal Capitalization Grant
\$ 11,201,850	FFY 2005 Federal Capitalization Grant
\$ 12,166,734	FFY 2006 Federal Capitalization Grant
\$ 11,484,000	FFY 2007 Federal Capitalization Grant
\$ 11,367,000	FFY 2008 Federal Capitalization Grant
\$ 135,636,100	TOTAL

Exhibit D
Cumulative History of State Match

The State deposited no additional State match in the DWSRF Loan Program in SFY 2009. To date, the DWSRF State match has aggregated in excess of 20% of the awarded \$135,636,100 capitalization grants through June 30, 2009, which results from the following cumulative history of State matches to the DWSRF Loan Program:

\$6,860,000	State Revolving Fund Program Bond, Subordinate Series 1, net proceeds representing a State Match (September 1999)*
5,640,000	State Revolving Fund Program Bond, Subordinate Series 2, net proceeds representing a State Match (December 2001)*
3,823,000	Series 2001A State Revolving Fund Program Bond net proceeds representing a State Match allocation (November 2001 & July 2002)
1,949,860	Series 2004B State Revolving Fund Program Bond net proceeds representing a State Match allocation (April 2004)
2,000,000	Series 2004B State Revolving Fund Program Bond net proceeds representing a State Match allocation (February 2005)
2,100,000	Series 2006A State Revolving Fund Program Bond net proceeds representing a State Match allocation (April 2006)
2,493,109	Series 2006B State Revolving Fund Program Bond net proceeds representing a State Match allocation (December 2006)
2,400,000	Series 2007B State Revolving Fund Program Bond net proceeds representing a State Match allocation (December 2007)
<hr/> \$27,265,969	<hr/> TOTAL

* Source restructured in SFY 2002 vis-à-vis Series 2001A State Revolving Fund Program Bond net proceeds representing a State Match allocation (November 2001)

As a result of the foregoing, the State has deposited State match in excess of that required based on grants awarded as of the end of SFY 2009 by \$138,749 (also known as over-match), which are banked toward future capitalization grants that are expected to be awarded in SFY 2010. This over-match is intended to permit, and will allow, the State to immediately convert a portion of its next capitalization grant (expected to be awarded in FFY 2009) to cash (and deposit it in the DWSRF) based upon incurred costs during SFY 2009, and banked as a result of their not having yet been used to convert any capitalization grant to cash.

State Match has been provided from State Revolving Fund Program Bonds, the net proceeds of which are allocated between 4 distinct purposes – (1) DWSRF's State match; (2) DWSRF's leveraged loans; (3) WWSRF's State match; and (4) WWSRF's leveraged loans. These bonds are repaid semi-annually and at the time of each payment the Authority tracks, allocates and records their payment *first* between WWSRF and DWSRF purposes (with the percentage paid from DWSRF being equal to the proportion of the net bond proceeds originally deposited in DWSRF from those bonds as compared to their total net bond proceeds) and *second* between State match and leveraged loans purposes (with the payment allocated as a State match repayment computed and tracked to be no more than the amount of the total DWSRF earnings applied on each payment date toward that bond payment). Set forth in the attached Exhibit C-1 is the principal amount of the State Revolving Fund Program Bonds allocated to State match purposes for the DWSRF and the principal amount repaid as

of the end SFY 2009.

The Authority annually designates whether principal maturities of the State Revolving Fund Program Bonds retired in a State Fiscal Year relate to State match or leveraged bonds. Generally, it anticipates retiring State match related bonds first leaving primarily program bonds allocated to the leveraged loans purposes outstanding. Once all State Revolving Fund Program Bonds allocated to the DWSRF State match purposes are retired (and/or the number of series with outstanding State match bonds are reduced), this policy will simplify the tracking of funds, reporting, bond disclosure, and allocation of semi-annual debt service.

Exhibit D-1

DRINKING WATER

Revenue	Original Par Amount of Bonds Designated	Par Amount retired during SFY Ending June 30					All Prior SFYs	Remaining Par Amount of Bonds Designated as State Match
		<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>		
<u>Bonds</u>	<u>as State Match</u>							
2001A	\$15,680,000	1,936,480	1,708,775	1,431,137	1,189,396	530,310	131,828	\$ 8,752,074
2004B	3,625,835	619,383	590,121	567,361	545,414	586,986	-	716,570
2006A	1,988,671	618,671	915,000	455,000	-	-	-	-
2006B	2,359,076	1,054,076	1,305,000	-	-	-	-	-
2007B	2,087,648	-	-	-	-	-	-	2,087,648
Total	\$25,741,230	\$4,228,610	\$4,518,896	\$2,453,498	\$1,734,810	\$1,117,296	\$131,828	\$ 11,556,292

Exhibit E

Summary of Closed DWSRF Loans for SFY 2009

Participant	Population	Closing Date	Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness	Estimated Open Market Interest Rate	Estimated Open Market P & I *	SRF Interest Rate	SRF P & I *	SRF Savings
Santa Claus	2,040	30-Oct-08	\$6,200,000	\$0	\$6,200,000	5.54%	\$10,410,699	3.68%	\$8,867,479	\$1,543,221
Ingalls	2,500	19-Dec-08	\$415,000	\$0	\$415,000	5.65%	\$703,207	3.68%	\$593,549	\$109,658
Converse	1,137	30-Dec-08	\$695,000	\$0	\$695,000	5.65%	\$1,177,661	3.18%	\$949,916	\$227,745
Boonville	10,260	30-Apr-09	\$1,757,500	\$1,757,000	\$3,514,500	5.50%	\$5,881,820	3.38%	\$2,446,414	\$3,435,406
North Manchester	6,260	7-May-09	\$2,845,000	\$1,230,000	\$4,075,000	5.50%	\$6,819,865	3.88%	\$4,142,434	\$2,677,431
Liberty	2,061	11-May-09	\$695,000	\$463,600	\$1,158,600	5.50%	\$1,939,017	3.63%	\$989,559	\$949,459
Madison	14,955	13-May-09	\$766,500	\$328,500	\$1,095,000	5.50%	\$1,832,577	3.88%	\$1,116,055	\$716,523
Jackson County Water Utility	10,262	1-Jun-09	\$1,650,000	\$1,650,000	\$3,300,000	5.50%	\$5,522,836	3.38%	\$2,296,776	\$3,226,060
Whitestown	2,200	1-Jun-09	\$3,255,000	\$0	\$3,255,000	5.50%	\$5,447,524	3.38%	\$4,530,912	\$916,612
Cedar Lake / Utilities, Inc.	1,923	1-Jun-09	\$994,000	\$0	\$994,000	5.50%	\$1,663,545	3.15%	\$1,354,848	\$308,697
Churubusco	1,666	22-Jun-09	\$1,290,000	\$1,290,000	\$2,580,000	5.50%	\$4,317,853	3.38%	\$1,795,661	\$2,522,192
		Total DW	\$20,563,000	\$6,719,100	\$27,282,100			Total DW Savings		
								\$16,633,005		

*P & I = Principal and Interest

Exhibit F to the Annual Report for SFY¹ 2009
Expeditious and Timely Use of Funds in the Indiana Finance Authority's SRF Accounts

This Exhibit identifies the intended uses of the funds held in various accounts of the DWSRF, and how those uses support the goals of the DWSRF. This Exhibit also demonstrates how the Authority meets the requirements of 40 CFR 35.3550(1) by using all of the funds in the DWSRF in an expeditious and timely manner.

Sources, Uses and Available Balances in SRF Accounts

The following accounts have been created and exist under the Authority's Drinking Water Trust Indenture and comprise its DWSRF. Set forth on the attached Schedule 1 (the "Use Schedule") is detail on what funds are held in the DWSRF and how they were expeditiously and timely used in SFY 2009 and will continue to be in perpetuity.

Drinking Water Purchase Account.

Sources of Funds: Funds held in this account² come from proceeds of Program Bonds³ issued by the Authority. The Authority expects to cause additional Program Bonds to be issued at times and in amounts sufficient to meet the funding requirements for loans presently closed as of the end of the SFY 2009 as well as loans anticipated to be closed in SFY 2010 and after.

Uses of Funds: These funds are used to make loans for qualified Proposed Projects as permitted by 40 CFR 35.3525(a). This use directly furthers the primary purpose of the DWSRF Program by financing qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

Available Balance: As of July 1, 2009, the aggregate amount of closed and committed loans exceeded the balance in this account ("Excess Commitments"). As additional loans are closed in SFY 2010, such committed amounts will contribute to additional Excess Commitments. The aggregate amount held in this account as of July 1, 2009 is shown in the Use Schedule. Accordingly, none of the

¹ Refers to the State Fiscal Year ending on June 30 of the year listed.

² Pursuant to SRF Indenture modification, the former State Match Loan Account was consolidated into this Account effective May 30, 2007.

³ These bonds are revenue bonds within the meaning of 40 CFR 35.3525(e), the net proceeds of which were deposited in the DWSRF. To date, the Authority (or its processor issuer) has issued multiple series of bonds including several refunding series (the "Program Bonds"), a portion of which are issued for the DWSRF. An allocated portion of the Program Bonds were deposited in the Purchase Account (with such bonds being referred to as the "Guarantee Revenue Bonds" in this Report) to make loans from the DWSRF and a further allocated portion of the Program Bonds were deposited in the Purchase Account (or the former State Match Loan Account) as state match (with such bonds being referred to as the "State Match Revenue Bonds" in this Report) to make loans or for other permitted purposes; their proceeds (together with other match sources) have matched all capitalization grants awarded to date as well as a portion of the not-yet-available FFY 2009 (FFY refers to the Federal Fiscal Year ending September 30 of the year listed) grant by reason of over-match.

funds presently on deposit in this account are available for other SRF purposes except to finance closed and committed loans related to qualified Proposed Projects.

Drinking Water Participant Loan Principal Account.

Sources of Funds: Funds held in this account come from principal payments on loans made from the Purchase Account and the former State Match Loan Account.

Uses of Funds: These funds are used to make payments on the outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e) and the Authority's Operating Agreement with EPA. This use indirectly furthers the primary purpose of the SRF by making loan proceeds available to finance qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

Available Balance: Approximately annually, this account is fully depleted to make payments on Program Bonds. Accordingly, none of the funds presently on deposit in this account are available for other SRF purposes.

Drinking Water Participant Loan Interest Account.

Sources of Funds: Funds held in this account come from interest payments on loans made from the Purchase Account and the former State Match Loan Account.

Uses of Funds: These funds are used to make payments on the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds as permitted by 40 CFR 35.3525(e) and 40 CFR 35.3550(g)(3), respectively. This use indirectly furthers the primary purpose of the SRF by making loan proceeds available to finance qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

Available Balance: Approximately annually, this account is fully depleted to make payments on Program Bonds. Accordingly, none of the funds presently on deposit in this account are available for other SRF purposes.

DRINKING WATER RESERVE⁴ contains the following accounts:

Drinking Water Reserve Earnings Account.

Sources of Funds: Funds held in this account come from interest payments on loans made from the Purchase Account and the State Match Loan Account together with other earnings on invested Reserve accounts.

Uses of Funds: These funds are *first* used to make payments on the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds as permitted by 40 CFR 35.3525(e) and 40 CFR 35.3550(g)(3), respectively, and *secondly* transferred to the Reserve Deficiency Account, as described below.

Available Balance: Approximately annually, this account is fully depleted to make payments on Program Bonds, with any excess available balances to be transferred to the Reserve Deficiency Account. Accordingly, none of the funds presently on deposit⁵ in this account are available for other SRF purposes.

Drinking Water Reserve Grant Account.

Sources of Funds: Funds held in this account⁶ come from Federal capitalization grants drawn when funds are loaned, up to the amount therein (and in the Equity Grant Account) that equals the perpetuity amount, and any amounts in excess thereof come from State Match.⁷

Uses of Funds: These funds are used (i) as security⁸ for outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e) and (ii) as a source of payment for

⁴ Pursuant to SRF Indenture modification, effective May 30, 2007, the following Reserve accounts are pledged to particular series of Program Bonds by means of subaccounts therein. Such pledged accounts serving as the Reserve for only one Series of Program Bonds (a "Series Reserve") and are held at a fixed amount (a "Series Reserve Requirement") subject to annual reductions as principal on such Series of Program Bonds are repaid as required by the SRF indenture. While not labeled under this Reserve group of accounts, amount held in Equity serve as security for the payment of Program Bonds, and thus, are part of the "reserve" for the purposes of this Report and the federal Safe Drinking Water Act, as amended.

⁵ And before any transfers to the WWSRF as discussed elsewhere in this Exhibit.

⁶ Pursuant to SRF Indenture modification, the former State Match Account was consolidated into this Account effective May 30, 2007.

⁷ State Match in this account came from State Match Revenue Bonds, and is from principal on loan repayments funded from such proceeds. As of July 1, 2009, such amounts related to State Match on deposit in this account have not been applied to Guarantee Revenue Bonds but may be so applied to make any regularly scheduled payments on the outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e) and the Authority's Operating Agreement with EPA.

⁸ Pursuant to the financing indentures related to the cross-collateralized outstanding Program Bonds, the Authority is presently required to maintain reserves of at least \$669.6 million, which is to be held in the Reserve accounts and is not anticipated to be used to make loans to Participants. A portion of the reserves have been allocated to the DWSRF for purpose of this Annual Report (as shown in the amount set out in the Use Schedule). This is a minimum invested funds requirement. However, the Authority views invested amounts in excess of the foregoing minimum requirement as security and as a source of payment for the outstanding Program Bonds. Further, the Authority expects that the foregoing minimum requirement will increase as additional Program Bonds are issued in SFY 2010 and beyond. Such excess

the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds as permitted by 40 CFR 35.3525(e) and 40 CFR 35.3550(g)(3), respectively. This use both directly and indirectly furthers the primary purpose of the DWSRF Program by making financing for qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

Available Balance: The aggregate amount held in this account (as of July 1, 2009 and as anticipated in SFY 2010) is shown in the Use Schedule.⁹ In furtherance of these purposes, the funds in this account are invested with certain short-term investments, State and Local Government Series (SLGS) securities, treasury and/or agencies obligations, and long-term high-quality investment contracts (the "Investment Agreements"). The Investment Agreements (a) pay interest semi-annually serving as a source of payment for the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds, (b) mature and may be terminated at the Authority's option as set forth in the attached Schedule 2, and (c) are available in full (as security) at any time if needed to pay the outstanding Guarantee Revenue Bonds.

Drinking Water Reserve Deficiency Account.

Sources of Funds: Funds held in this account, if any, will come from other Reserve accounts discussed above when the amounts held in the group of accounts serving as the Reserve any Series of Program Bonds (a "Series Reserve") exceeds its Series Reserve Requirement.

Uses of Funds: These funds are used to fund each Series Reserve by immediately transferring them as necessary (the *first* possible use) to each Series Reserve that is below its Series Reserve Requirement on each February 1 and August 1 and secondly (if not required for such *first* use) shall be transferred to an Equity account (the *secondary* use; which is expected to occur). Any such transfer is either made to a Grant Account or Earnings Account depending on the source of the funds transferred to the Reserve Deficiency Account.

Available Balance: No amounts were held in this account as of July 1, 2009 nor are any so anticipated in SFY 2010.

purposes are served by the Equity accounts to the extent that they are not anticipated to be used to make loans to Participants.

⁹ And before any transfers to the WWSRF as discussed elsewhere in this Exhibit.

DRINKING WATER EQUITY¹⁰ contains the following accounts:

Drinking Water Equity Grant Account.

Sources of Funds: Funds held in this account come from Federal capitalization grants drawn when funds are loaned, up to the amount therein (and in the Reserve Grant Account) that equals the perpetuity amount, and any amounts in excess thereof come from State Match.

Uses of Funds: These funds are used (i) as security¹¹ and as a source of payment for the outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e), (ii) to fund any transfers to the Authority's WWSRF as permitted by law including Section 302 of the Safe Drinking Water Act, and (iii) to fund that portion of any loans closed but not presently on deposit in the Purchase Account¹² in the event additional leveraged Guarantee Revenue Bonds could not be issued for any reason to meet such commitments. This use both directly and indirectly furthers the primary purpose of the DWSRF Program by making financing for qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

Available Balance: The aggregate amount held in this account (as of July 1, 2009 and as anticipated in SFY 2010) is shown in the Use Schedule.¹³ In furtherance of these purposes, the funds in this account are invested with certain short-term investments, State and Local Government Series (SLGS) securities, and long-term high-quality investment contracts (the "Investment Agreements"). The Investment Agreements (a) pay interest semi-annually serving as a source of payment for the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds, (b) mature and may be terminated at the Authority's option as set forth in the attached Schedule 2, and (c) are available in full (as security) at any time if needed to pay the outstanding Guarantee Revenue Bonds.

¹⁰ While funds held in these Equity accounts are not pledged to the payment of Program Bonds, the SRF Program Representative may, but is not required to, direct that they be used to pay Program Bonds. Further, the Authority would expect such to occur if it was necessary to pay such bonds and, thus, while not labeled under as Reserve in this Report, the DWSRF treats it as part of the "reserve" for the purposes of this Report and the federal Safe Drinking Water Act, as amended.

¹¹ Pursuant to the financing indentures, the Authority may use these funds if the Reserve Grant Account were insufficient to pay outstanding Program Bonds. Further, the Authority expects that the foregoing minimum requirement of Reserve accounts will increase as additional Program Bonds are issued in SFY 2010 and will result in a transfer of any uncommitted amounts in the Equity Grant Account to the Reserve Grant Account inclusive of any Capitalization Grants drawn into the SRF after July 1, 2009.

¹² In addition to meeting any Excess Commitments as of July 1, 2009, additional Excess Commitments will occur before additional Guarantee Revenue Bonds are issued. This will result from closing new loans for qualified Proposed Projects with (a) approved preliminary engineering reports (PERs) as of July 1, 2009, (b) PERs submitted and under review by the DWSRF as of July 1, 2009 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2010), each as detailed in the Use Schedule.

¹³ And before any transfers to the WWSRF as discussed elsewhere in this Exhibit.

Drinking Water Equity Earnings Account.

Sources of Funds: Funds held in this account come from (a) transfers from the Reserve Earnings Account and the Participant Loan Interest Account undertaken approximately annually or at the time of an issuance of additional Program Bonds and (b) earnings on amounts invested in the Equity accounts.

Uses of Funds: These funds are used (i) as security and as a source of payment for the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds as permitted by 40 CFR 35.3525(e) and 40 CFR 35.3550(g)(3), respectively, like the Equity Grant Account and (ii) to fund that portion of any loans closed but not on deposit in the Purchase Account in the event additional leveraged Guarantee Revenue Bonds could not be issued for any reason to meet such commitments. This use both directly and indirectly furthers the primary purpose of the SRF by making financing for qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

Available Balance: The aggregate amount held in this account as of July 1, 2009 is shown in the Use Schedule.¹⁴

ADDITIONAL INFORMATION CONCERNING EXPECTED USES OF SRF FUNDS

Use of Available Balances to Meet Closed Loan Commitments. Under its existing practices, the Authority closes DWSRF Program loans with Participants without the necessity of having available balances in its Purchase Account to fully fund those loan commitments on the date a DWSRF Program loan is closed. As of July 1, 2009, there were Excess Commitments. By closing new loans for qualified Proposed Projects with (a) approved PERs as of July 1, 2009, (b) PERs submitted and under review by the DWSRF as of July 1, 2009 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2010), the aggregate amount of Excess Commitments would become as shown in the Use Schedule.

The Authority expects to cause additional Program Bonds to be issued at times and in amounts sufficient to meet the funding requirements for loans presently closed and those anticipated to be closed in SFY 2010. Additionally, certain amounts held in the Equity Grant Account and Equity Earnings Account are available and would be used to meet a portion of the projected funding requirements for loans presently closed (and those anticipated to be closed in SFY 2010) in the event additional Guarantee Revenue Bonds could not to be issued.

¹⁴ And before any transfers to the WWSRF as discussed elsewhere in this Exhibit.

Use of Available Balances as a Reserve and Source of Payment for Guarantee Revenue Bonds.

Amounts held in the Reserve Deficiency Account, Equity Grant Account, Reserve Grant Account Reserve Earnings Account and Equity Earnings Account secure, and are a source of payment, for Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e). In addition to this use, a portion of these funds are also held to meet (a) Excess Commitments in SFY 2010 in the event additional Guarantee Revenue Bonds could not to be issued and (b) any transfers to the WWSRF as permitted by law.

Use of Available Balances as a Source of Payment for State Match Revenue Bonds. All SRF earnings including amounts held in the Reserve Earnings Account and Equity Earnings Account secure, and are a source of payment, for State Match Revenue Bonds as permitted by 40 CFR 35.3550(g)(3). In addition to this use, a portion of these funds are held to meet (a) Excess Commitments in SFY 2010 in the event additional Guarantee Revenue Bonds could not to be issued and (b) any transfers to the WWSRF as permitted by law.

Use of Available Balances to Possibly Transfer Funds to the Wastewater SRF. As of July 1, 2009, about \$23.6 million has been transferred to DWSRF. As of July 1, 2009, the cumulative transfer amount available for additional transfers from CWSRF to the DWSRF could result in up to \$44.76 million of allowable transfers which includes 33% of the FFY 2008 grant. The full amount of any such potential transfers is banked.

Further, transfers can be made from DWSRF to the WWSRF up to the cumulative amount made from WWSRF to DWSRF to date, together with an amount equal to 33 percent of aggregate Drinking Water Capitalization Grants awarded. The full amount of any such potential transfers is banked.

Since the inception of the DWSRF, the Authority (or its predecessor) has banked transfers up to maximum permitted limit and continues to do so; funds held in the Equity Grant Account might be used for this purpose. Such transfer may be effectuated by a transfer of an invested balance from (a) one or more of the Authority's Investment Agreements or (b) other investments. These invested funds would then be used to support the issuance of Guarantee Revenue Bonds, the proceeds of which would be used to make Program loans. Any such determination would be based on whether the DWSRF or WWSRF program is more in need of funds (when considering their respective priorities) than the other. While a transfer from DWSRF to the WWSRF is not expected, it is also banked to reserve the Authority's discretion.

SCHEDULE F-2
SRF INVESTMENT AGREEMENTS

Funds held in the Reserve Grant Account and certain other accounts are invested in the following Investment Agreements which mature, and may be terminated at the Authority's option only, as follows:

Investment Agreement with:	Final Maturity Date ¹⁵	Optional Termination Date ¹⁶	Scheduled Repayments of Invested Amounts ¹⁷
Citigroup Global Company Inc., Dated, February 13, 2006	8/1/16	Any time	\$1 to \$5 million
Trinity Plus Funding Company, LLC, Dated January 9, 2001	8/1/23	8/1/08	\$0.1 to \$18 million
Trinity Plus Funding Company, LLC, Dated March 21, 2006	2/1/29	N/A	\$3 to \$10 million
FSA Capital Management Services LLC, Dated June 19, 2007	2/1/27	N/A	\$-0- to \$0.5 million

The Authority has structured these Investment Agreements in a manner to assure as great as flexibility as practical to serve the variety of needs required by the SRF. The long-term nature of these investments assures long-term access to quality investment sources and, thereby, balances revenue certainty against known debt obligations associated with Program Bonds. This fosters the ability to issue additional Program Bonds to fund a prudent, maximum level of leveraged loans. Further, repayment features are consistent with the reserve purposes associated with most of these invested funds. These optional termination dates and scheduled repayment features associated with the Investment Agreements, in total, assure access to invested balances at reasonable intervals and are expected to facilitate future leveraged bond issues. However, it also to be understood that this restricts the SRF Program's ability to make use of these invested sums for other purpose (including certain of those uses recited elsewhere in this Exhibit) without negotiating different termination provisions which could result in charged losses upon any such alternate termination depending upon market conditions and other factors.

¹⁵ If not repaid sooner, all invested sums are required to be repaid to the Authority by this date.

¹⁶ On or after this date, the Authority may terminate the investment at its option and all invested sums will then be required to be repaid to the Authority without any premium (or other market to market payment).

¹⁷ Each February 1 (except for the 2001 Investment Agreements, which is each August 1), commencing in 2008 (except for the 2001 Investment Agreements, which is 2019), a portion of the invested sums is required to repaid annually to the Authority. These annual amounts are set out in a schedule to each agreement and range within the amounts shown in this column.

Schedule 1
to Exhibit F for the DW Annual Report (SFY 2009)

	Account Balances* as of: 30-Jun-2009 (Actual)	Future Deposits in SFY
<u>A. Funds Committed to Projects by DWSRF</u>		
Purchase Account	\$ 14,600,000	\$ -
	<u>\$ 14,600,000</u>	<u>\$ -</u>
<u>B. Other Funds Held in DWSRF</u>		
Reserve Grant Account	\$ 111,800,000	\$ -
Reserve Earnings Account	3,800,000	-
Reserve Deficiency Account	-	
Equity Grant Account	43,500,000	\$ 34,200,000
Equity Earnings Account	4,100,000	-
	<u>\$ 163,200,000</u>	<u>\$ 34,200,000</u>
Total Available Funds (A. and B. above)	<u><u>\$ 177,800,000</u></u>	<u><u>\$ 34,200,000</u></u>

Proof of Timely & Expeditious Use of Above Funds Held in DWSRF*

Closed Loan (Undrawn loan amounts covered by on-hand Purchase A/C Funds)	\$ 14,600,000
Closed Loan Excess Commitments (after Application of above Purchase A/C **)	2,600,000
Closed Loan to be funded directly from Equity (undrawn portion of loan)	<u>2,500,000</u>
PERs In-house (approved & under-review) Awaiting Loan Closing	253,600,000
Other Projects on new SFY's PPL, Requesting Loan Funding	<u>20,600,000</u>
1. Use: to cover Loan Demand***	<u>293,900,000</u>
2. Use: to cover Series Reserve Requirement	<u>129,500,000</u>
Possible Uses of Funds (1 & 2 above without considering other secondary purposes for holding them in the DWSRF) # are as follows:	<u><u>\$ 423,400,000</u></u>

Uses of Funds (1 & 2 above):	\$ 423,400,000
Less: Total Available Funds (A. and B. above)	212,000,000
Amount by which "Possible Uses of Funds" EXCEED "Total Available Funds"	<u><u>\$ 211,400,000</u></u>

Notes:

- * Amounts are approximate & rounded to nearest \$100,000
- ** This amount is a net unfunded amount of closed loans after application of the June 30th on-hand balance.
- *** While use will likely be met with future Program Bonds, possible that on-hand funds could be used. When covered by issuance of Program Bonds used to make subsidized loan, a reserve of 40% to 50% is funded from Equity and additional Program Bonds are used to make pooled loan at a market rate. Such Program Bonds would not be sufficient to meet all needs.

Exhibit G
SFY 2009 DWSRF Loan Program Quarterly Interest Rates

State Fiscal Year (SFY) By Quarter (Qtr)	User Rates (Over \$45)	User Rates (\$25 to \$45)	User Rates (Under \$25)
Tier III (MHI: under \$33,669)			
1 st Qtr SFY 2009	2.77%	3.02%	3.52%
2 nd Qtr SFY 2009	2.93%	3.18%	3.68%
3 rd Qtr SFY 2009	3.47%	3.72%	4.22%
4 th Qtr SFY 2009	2.88%	3.13%	3.63%
Tier II (MHI: \$33,670 to \$41,566)			
1 st Qtr SFY 2009	3.02%	3.27%	3.77%
2 nd Qtr SFY 2009	3.18%	3.43%	3.93%
3 rd Qtr SFY 2009	3.72%	3.97%	4.47%
4 th Qtr SFY 2009	3.13%	3.38%	3.88%
Tier I (MHI: over \$41,567)			
1 st Qtr SFY 2009	3.27%	3.52%	4.02%
2 nd Qtr SFY 2009	3.43%	3.68%	4.18%
3 rd Qtr SFY 2009	3.97%	4.22%	4.72%
4 th Qtr SFY 2009	3.38%	3.63%	4.13%

Up to an additional .50% reduction is possible if a non-point source project is financed along with a point source project. An additional .25% increase is also possible if a loan is determined to have a long weighted average loan life. The SRF Pooled Program Participants receive the "AAA" interest rate that is available to the SRF Program at the time of their loan closing.

Exhibit H
DWSRF Transfers

Consistent with its Intended Use Plans and EPA Policy Statement (FRL-6884-7, 65 FR 199, 10/13/00, pg. 60940), the State is reporting on transfers between the CWSRF and the DWSRF. In its Intended Use Plans, the State retained the flexibility to make transfers of grants (and other funds) held in or allocable to such funds to the extent permitted by the Clean Water Act and the Safe Drinking Water Act. As of June 30, 2009, an amount of up to 33% of the Safe Drinking Water Act grants for FFYs 1997 through 2008 could be so transferred on a net cumulative basis. Based on the State's award of Safe Drinking Water Act related funds for FFY 1997 through 2008, to date, approximately \$23.6 million has been transferred to the DWSRF from the CWSRF. The following transfers were made from the 1998 Restricted Subaccount of the Wastewater Equity Account held under the Wastewater Indenture, which represents federal grants previously converted to cash and deposited in that account, to the Drinking Water Trustee for deposit in the 1998 Restricted Subaccount of the Drinking Water Equity Account held under the Drinking Water Indenture:

<u>Transfer Dates</u>	<u>Transfer Amounts</u>
August 25, 2000	\$17,479,407
February 15, 2001	2,985,491
May 1, 2002	<u>3,120,183</u>
Total	\$23,585,081

Such transfers did not negatively affect the capacity of the CWSRF to finance proposed projects during SFY 2009.



STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)

COMBINED FINANCIAL STATEMENTS

June 30, 2009 and 2008

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
Indianapolis, Indiana**

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Independent Auditors' Report

Board of Directors of the Indiana Finance Authority
State Revolving Fund Loan Programs

We have audited the accompanying combined financial statements of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, as of and for the years ended June 30, 2009 and 2008, presented on pages 8 - 31. These combined financial statements are the responsibility of the Programs' management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the State Revolving Fund Loan Programs, an enterprise fund, and do not purport to, and do not, present fairly the financial position of the Indiana Finance Authority, as of June 30, 2009 and 2008, and the changes in its financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the State Revolving Fund Loan Programs at June 30, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The Management's Discussion and Analysis presented on pages 3-7 is not a required part of the basic combined financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2009, on our consideration of the State Revolving Fund Loan Programs' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Katz, Appew & Miller, LLP

Indianapolis, Indiana
September 29, 2009

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009

As management of the State Revolving Fund Loan Programs (SRF Programs), we offer readers of the SRF Programs' combined financial statements this narrative overview of Management's Discussion and Analysis (MD&A) of the financial activities of the SRF Programs for the fiscal year ended June 30, 2009. All amounts, unless otherwise indicated, are expressed in thousands of dollars and are approximate.

Financial Highlights: The SRF Programs' total net assets increased by \$107.3 million during the current fiscal year from \$868.8 million to \$976.1 million. Of this amount, \$29.6 million consists of capital contributions (grants) from the U.S. Environmental Protection Agency. All of these net assets are restricted for water pollution and drinking water projects and related program purposes.

During the current fiscal year, the SRF Programs' debt decreased by \$73.7 million. The net decrease in debt is the result of scheduled principal payments totaling \$73.7 million.

The SRF Programs disbursed \$169.8 million to participants during the current year to fund wastewater and drinking water infrastructure project expenses. Loan commitments can be found in Note 3 to the combined financial statements on page 17 of this report.

BASIC COMBINED FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the SRF Programs' basic combined financial statements (Report). The accompanying Report only provides information on the financial activities associated with the SRF Programs which are an enterprise fund of the Indiana Finance Authority, where financial transactions are reported as business-type activities. The basic combined financial statements do not represent a comprehensive annual financial report of the Indiana Finance Authority.

Enterprise funds are used to report any activities for which income fees are charged to external users for goods and services. In addition, enterprise funds must be used in situations where debt is backed solely by fees and charges. An enterprise fund is accounted for in a manner similar to a commercial enterprise on the accrual basis of accounting.

The SRF Programs' basic combined financial statements include statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, and the notes to the financial statements. These combined financial statements can be found on pages 8-10 of this report and are summarized below:

- The *combined statements of net assets* present information on all of the SRF Programs' assets and liabilities, with the difference between the two reported as net assets.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009

- The *combined statements of revenues, expenses and changes in net assets* present information showing how the SRF Programs' net assets changed during each year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
- In contrast, the *combined statements of cash flows* are concerned solely with flows of cash and cash equivalents. Transactions are recorded when cash is received or exchanged, without concern of when the underlying event causing the transactions occurred.

The Report also contains other supplementary information in addition to the basic combined financial statements themselves.

The notes to the combined financial statements provide additional information that is essential to a full understanding of the data provided in the combined financial statements. The notes to the combined financial statements can be found on pages 11-31 of this report.

In addition to the basic combined financial statements and accompanying notes, this report also presents combining schedules on pages 33-35. These combining schedules are not a required part of the basic combined financial statements, but they provide detailed financial statement information for each individual program. The combining schedules are included to provide other useful information for the readers of the basic combined financial statements.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009

FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the government enterprise's financial position. In the case of the SRF Programs, assets exceeded liabilities by \$976.1 million at the close of the most recent fiscal year.

State Revolving Fund Loan Programs' Net Assets
(In Thousands of Dollars)

	2009	June 30, 2008	2007
Current assets	\$ 605,256	\$ 442,990	\$ 596,690
Noncurrent assets	<u>2,129,269</u>	<u>2,257,960</u>	<u>2,055,030</u>
Total Assets	<u>2,734,525</u>	<u>2,700,950</u>	<u>2,651,720</u>
Current liabilities	115,774	105,176	105,295
Long-term liabilities	<u>1,642,671</u>	<u>1,727,037</u>	<u>1,724,123</u>
Total Liabilities	<u>1,758,445</u>	<u>1,832,213</u>	<u>1,829,418</u>
Net Assets			
Restricted	<u>976,080</u>	<u>868,737</u>	<u>822,302</u>
Total Net Assets	<u>\$ 976,080</u>	<u>\$ 868,737</u>	<u>\$ 822,302</u>

Total assets have increased over the years as the SRF Programs continue to mature, manage new and existing projects, and receive new grants. Typically as new and existing projects are undertaken and completed, additional bonds on behalf of the SRF Programs are issued in order to fund the projects. However, in the fiscal year ended June 30, 2009, needs of participants were met with funds on hand and no additional bonds were issued. Therefore, long-term liabilities have decreased due to the payment of scheduled debt service.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009

State Revolving Fund Loan Programs' Changes in Net Assets
(In Thousands of Dollars)

	Years Ended June 30,		
	2009	2008	2007
Operating Revenues			
Interest-investments	\$ 106,106	\$ 54,154	\$ 62,712
Interest-participants	56,999	52,862	43,767
Other	288	479	731
Total operating revenues	<u>163,393</u>	<u>107,495</u>	<u>107,210</u>
Operating Expenses			
Interest	81,266	88,194	80,814
Amortization of deferred charges	1,075	1,177	1,168
Trustee fees	80	109	320
Other program and administrative	3,221	1,591	1,837
Total operating expenses	<u>85,642</u>	<u>91,071</u>	<u>84,139</u>
Operating Income	77,751	16,424	23,071
Capital Contributions (EPA Grants)	<u>29,592</u>	<u>30,011</u>	<u>36,982</u>
Increase in Net Assets	107,343	46,435	60,053
Net Assets:			
Beginning of Year	<u>868,737</u>	<u>822,302</u>	<u>762,249</u>
End of Year	<u>\$ 976,080</u>	<u>\$ 868,737</u>	<u>\$ 822,302</u>

The SRF Programs' net assets increased by \$107.3 million during the current fiscal year. Key elements of this increase are as follows:

- The SRF Programs received \$29.6 million in capital contributions (grants) from EPA on qualified wastewater and drinking water projects and related program purposes.
- Interest income on investments and loans exceeded operating expenses by \$77.8 million. The increase in interest income on investments was primarily driven by the termination of guaranteed investment contracts with make-whole provisions, when the investment contract provider's credit rating was downgraded.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009

DEBT ADMINISTRATION

Long-term Debt: At the end of the current fiscal year, the SRF Programs' debt, net of premium/discount and unamortized loss on refunding, was \$1.72 billion. The amount due represents bonds issued solely for the State Revolving Fund Loan Programs.

State Revolving Fund Loan Programs' Outstanding Debt
(In Thousands of Dollars)

	Years Ended June 30,		
	2009	2008	2007
Net Bond Indebtedness	\$ 1,715,974	\$ 1,789,657	\$ 1,791,021

During the current fiscal year, the SRF Programs' debt decreased by \$73.7 million. The net decrease in debt is the result of scheduled principal payments.

Additional information on the SRF Programs' long-term debt can be found in Notes 7 and 8 to the combined financial statements on pages 21-30 of this report.

REQUESTS OF INFORMATION

This financial report is designed to provide a general overview of the SRF Programs' finances for all those with an interest in the SRF Programs' finances. Questions concerning any of the information should be addressed to the State Revolving Fund Wastewater and Drinking Water Loan Programs, 100 N. Senate Avenue, Room 1275, IGCN - 12th Floor, Indianapolis, IN 46204.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINED STATEMENTS OF NET ASSETS
June 30, 2009 and 2008

	2009	2008
ASSETS		
Current Assets:		
Cash and equivalents	\$ 478,781,072	\$ 327,044,359
Interest receivable, net	25,038,188	33,468,327
Due from EPA	29,606,328	11,177,225
Loans receivable	71,830,032	71,300,293
Total Current Assets	<u>605,255,620</u>	<u>442,990,204</u>
Noncurrent Assets:		
Investments	454,477,088	670,552,757
Loans receivable, net	1,666,797,048	1,578,146,387
Equipment, net	30,567	29,982
Deferred charges, net	7,964,571	9,231,137
Total Noncurrent Assets	<u>2,129,269,274</u>	<u>2,257,960,263</u>
Total Assets	<u>2,734,524,894</u>	<u>2,700,950,467</u>
LIABILITIES		
Current Liabilities:		
Interest payable	34,649,807	35,889,548
Accounts payable	257,555	316,202
Amount due to federal government	1,676,901	-
Bonds payable-current, net	79,190,000	68,970,000
Total Current Liabilities	<u>115,774,263</u>	<u>105,175,750</u>
Long-term Liabilities:		
Amount due to federal government	5,886,374	6,351,215
Bonds payable, net	1,636,784,059	1,720,686,523
Total Long-term Liabilities	<u>1,642,670,433</u>	<u>1,727,037,738</u>
Total Liabilities	<u>1,758,444,696</u>	<u>1,832,213,488</u>
NET ASSETS		
Restricted for water pollution and drinking water projects and other related program purposes	<u>\$ 976,080,198</u>	<u>\$ 868,736,979</u>

See accompanying notes.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2009 and 2008

	2009	2008
OPERATING REVENUE		
Interest income-investments	\$ 106,105,829	\$ 54,154,469
Interest income-loan participants	56,999,588	52,861,795
Other	287,794	479,136
Total Operating Revenue	<u>163,393,211</u>	<u>107,495,400</u>
OPERATING EXPENSES		
Interest	81,265,891	88,194,230
Amortization of deferred charges	1,074,907	1,177,383
Trustee fees	80,006	108,449
Other program and administrative	3,221,237	1,590,872
Total Operating Expenses	<u>85,642,041</u>	<u>91,070,934</u>
OPERATING INCOME	77,751,170	16,424,466
CAPITAL CONTRIBUTIONS	<u>29,592,049</u>	<u>30,010,936</u>
INCREASE IN NET ASSETS	107,343,219	46,435,402
NET ASSETS		
Beginning of Year	<u>868,736,979</u>	<u>822,301,577</u>
End of Year	<u><u>\$ 976,080,198</u></u>	<u><u>\$ 868,736,979</u></u>

See accompanying notes.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash payments for salaries, administrative and other expenses	\$ (3,096,363)	\$ (1,162,382)
Administration fee	24,267	31,001
Net Cash (Used) by Operating Activities	<u>(3,072,096)</u>	<u>(1,131,381)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of loans to participants	80,636,534	74,881,579
Issuance of loans to participants	(169,816,934)	(269,360,738)
Change in investments	216,075,669	(14,243,491)
Interest received on loans and investments	171,535,556	104,048,749
Purchase of capital assets	(6,430)	(24,120)
Net Cash Provided (Used) by Investing Activities	<u>298,424,395</u>	<u>(104,698,021)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from debt issuance		94,530,000
Principal payments to reduce indebtedness including refunding	(73,676,619)	(95,888,744)
Payment of debt issuance costs, net of refunding	191,659	(593,267)
Change in amount due to federal government	1,212,060	3,773,967
Interest paid on debt	(82,505,632)	(87,897,604)
Net Cash (Used) by Non-Capital Financing Activities	<u>(154,778,532)</u>	<u>(86,075,648)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital contributions (EPA grants)	11,162,946	55,422,527
Net Cash Provided by Capital Financing Activities	<u>11,162,946</u>	<u>55,422,527</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	151,736,713	(136,482,523)
CASH AND EQUIVALENTS		
Beginning of Year	327,044,359	463,526,882
End of Year	<u>\$ 478,781,072</u>	<u>\$ 327,044,359</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income	\$ 77,751,170	\$ 16,424,466
Adjustments to reconcile operating income to net cash used by operating activities:		
Interest income	(163,105,417)	(107,016,264)
Interest expense	81,265,891	88,194,230
Amortization of deferred charges	1,074,907	1,177,383
Changes in assets and liabilities:		
Accounts payable	(58,647)	88,804
Net Cash (Used) by Operating Activities	<u>\$ (3,072,096)</u>	<u>\$ (1,131,381)</u>

See accompanying notes.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Wastewater State Revolving Fund Loan Program (WSRF) and the Drinking Water State Revolving Fund Loan Program (DWSRF), collectively known as the State Revolving Fund Loan Programs (SRF Programs), conform to generally accepted accounting principles as applicable to governmental units in the United States. The following is a summary of significant policies:

Reporting Entity: The accompanying combined financial statements report only on the financial activities associated with the SRF Programs, which are an enterprise fund of the Indiana Finance Authority (Authority). The combined financial statements do not represent a comprehensive annual financial report of the Authority.

Principles of Combination: The combined financial statements of the SRF Programs include the accounts of the WSRF and the DWSRF. All significant intercompany accounts and transactions between the individual programs have been eliminated.

Basis of Presentation and Accounting: The Programs are accounted for as Enterprise Funds. An Enterprise Fund is used to account for an operation where periodic determination of revenues earned, expenses incurred, and net income on an accrual basis is appropriate (accrual method). Accordingly, the State Revolving Fund Loan Programs recognize revenues in the period earned and expenses in the period incurred. Financial transactions are reported as business-type activities.

The SRF Programs follow the accounting rules promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the SRF Programs follow all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless pronouncements conflict with or contradict GASB Statements.

The Wastewater State Revolving Fund Loan Program and Drinking Water State Revolving Fund Loan Program: The federal Water Quality Act of 1987 as amended in 1996 authorized the United States Environmental Protection Agency (EPA) to award capitalization grants to states for public drinking water system programs and water pollution control revolving fund programs. Pursuant to Indiana Code 13-18-13 (WSRF Act), the State of Indiana (State) originally established a water pollution control revolving fund program to provide financial assistance, essentially, to make loans, to political subdivisions for eligible projects. A variety of political subdivisions and other eligible borrowers may receive loans from the WSRF Program, including municipal sewage works, sanitary districts, regional sewer districts and conservancy districts. Pursuant to Indiana Code 13-18-21 (DWSRF Act), the State also has established a public drinking water system program to provide financial assistance for eligible projects. Financial assistance includes making loans to public water systems for eligible projects, as well as providing for administrative expenses, source water assessment and technical assistance for small systems.

STATE REVOLVING FUND LOAN PROGRAMS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

By operation of law, effective May 15, 2005, all assets and liabilities of the SRF Programs (including the outstanding bonds of the Indiana Bond Bank related to the SRF Programs) became the assets and liabilities of the Indiana Finance Authority instead of the State or the Indiana Bond Bank. For years ending on, or before, June 30, 2005, these assets and liabilities of the SRF Programs were previously reported as part of the respective financial statements of the State and/or the Indiana Bond Bank. For the comparative financial statements for the years ended June 30, 2009 and 2008, such are reported as the Authority's assets and liabilities related to the SRF Programs.

The Authority has capitalized its WSRF and DWSRF Programs with payments made under capitalization grants and with required state matching funds. Payments under, and the use of capitalization grants, are subject to federal law and regulated by the federal government, acting through the EPA.

Under the WSRF and DWSRF Acts, the Authority has responsibility for the administration and management of the WSRF and DWSRF Programs. The Authority has entered into Trust Indentures with The Bank of New York Trust Company, N.A., successor to J.P. Morgan Trust Company, N.A., to establish a series of separate funds and accounts for operation of the SRF Programs. The indentures create state revolving funds (the Funds) and govern the use of certain bond proceeds and capitalization grants under the WSRF Act and the DWSRF Act. The SRF Programs are being operated initially as leveraged programs, whereby the earnings on certain moneys deposited in the Funds, including payments on loans made from the Funds, are applied to pay debt service on bonds issued to finance the SRF Programs.

If necessary, the capitalization grants are deposited into the SRF Program accounts and are available to pay scheduled debt service on the Revenue Bonds. SRF Program participant loan repayments and interest earned on the SRF Program investments is used to meet the debt service obligations for the Revenue Bonds. States are required to provide an additional 20 percent of the federal capitalization grant as matching funds in order to receive a grant. SRF Program matching funds have been provided through the issuance of revenue bonds payable and from the earnings on the funds. Federal contributions are funded and recognized as capital contributions when amounts are received. The Authority may use amounts of up to 4 percent of the federal capitalization grant to pay salaries and administrative costs incurred.

The Indiana Bond Bank, on behalf of the SRF Programs, issued Series 1997A, 1998A, 2000A, 2000B, 2001A, 2002A, 2002B, 2004A, 2004B and 2004C Bonds, which by operation of law effective May 15, 2005, such liabilities of the SRF Programs became the liabilities of the Authority instead of the Indiana Bond Bank. Additionally, the Authority issued Series 2005A, 2006A, 2006B, 2007A and 2007B Bonds in respect of the SRF Programs. Such liabilities are summarized in Note 8 and are secured by a common trust estate supported in part by participant loan repayments.

STATE REVOLVING FUND LOAN PROGRAMS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Restricted Net Assets: Restricted net assets are available for providing financial assistance related to water pollution control and drinking water projects and other SRF Program purposes.

Cash and Equivalents: Cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments: Investments are recorded at fair value, based on quoted market prices of the investment or similar investments. For investments at June 30, 2009 and 2008, market approximates cost. Changes in the fair value of investments are included in the combined statement of revenues, expenses and changes in net assets.

Operating Revenues and Expenses: Operating revenues and expenses generally result from providing services. Operating expenses include the cost of providing services and interest on debt. For enterprise funds, revenue and expense transactions normally classified as other than operating cash flows are classified as operating revenues and expenses if those transactions constitute principal ongoing operations. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses, and include capital contributions.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
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NOTE 2 - CASH AND INVESTMENTS

All cash and investments are held by, or in the name of, The Bank of New York Trust Company, N.A., as trustee under certain indentures of trusts (Trust Indentures) pertaining to the SRF Programs and the bonds issued in connection with the SRF Programs. Pursuant to enabling statutes, the investments permitted by the Trust Indentures represent investment policy choices that make the generally applicable provisions of Indiana Code 5-13 inapplicable to the SRF Programs' investments.

For investments at June 30, 2009 and 2008, fair value approximates cost. A summary of cash and investments as of June 30, 2009 and 2008 follows:

	<u>2009</u>		
	<u>Wastewater</u>	<u>Drinking Water</u>	<u>Total</u>
Money market funds	\$ 352,507,672	\$ 82,654,812	\$ 435,162,484
Guaranteed investment contracts	184,739,870	39,792,844	224,532,714
Government obligations	<u>213,109,575</u>	<u>60,453,387</u>	<u>273,562,962</u>
	<u>\$ 750,357,117</u>	<u>\$ 182,901,043</u>	<u>\$ 933,258,160</u>
	<u>2008</u>		
	<u>Wastewater</u>	<u>Drinking Water</u>	<u>Total</u>
Money market funds	\$ 248,380,973	\$ 64,699,317	\$ 313,080,290
Guaranteed investment contracts	534,374,767	103,447,719	637,822,486
Government obligations	<u>30,345,809</u>	<u>16,348,531</u>	<u>46,694,340</u>
	<u>\$ 813,101,549</u>	<u>\$ 184,495,567</u>	<u>\$ 997,597,116</u>

STATE REVOLVING FUND LOAN PROGRAMS
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NOTE 2 - CASH AND INVESTMENTS (Continued)

Investment Type and Interest Rate Risk Disclosure: As of June 30, 2009, the SRF Programs had the following investments and maturities (amounts are in thousands):

	Wastewater				
	Investment Maturities (in years)				
	Fair Value	< 1	1 - < 5	5 - < 10	> 10
Money market funds	\$ 352,508	\$ 352,508	\$ -	\$ -	\$ -
Guaranteed investment contracts	184,740	5,797	30,159	39,951	108,833
Government obligations	<u>213,109</u>	<u>32,895</u>	<u>74,930</u>	<u>28,472</u>	<u>76,812</u>
	<u>\$ 750,357</u>	<u>\$ 391,200</u>	<u>\$ 105,089</u>	<u>\$ 68,423</u>	<u>\$ 185,645</u>

	Drinking Water				
	Investment Maturities (in years)				
	Fair Value	< 1	1 - < 5	5 - < 10	> 10
Money market funds	\$ 82,655	\$ 82,655	\$ -	\$ -	\$ -
Guaranteed investment contracts	39,793	3,556	7,934	12,256	16,047
Government obligations	<u>60,453</u>	<u>1,370</u>	<u>17,280</u>	<u>21,049</u>	<u>20,754</u>
	<u>\$ 182,901</u>	<u>\$ 87,581</u>	<u>\$ 25,214</u>	<u>\$ 33,305</u>	<u>\$ 36,801</u>

Credit Risk Disclosure: The following table (in thousands of dollars) provides information on the credit ratings associated with the SRF Programs' investments in debt securities, excluding obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government at June 30, 2009:

	S&P	Fitch	Moody's	Fair Value
Money market funds	AAAm	AAA/V-1+	Aaa	\$ 248,355
	AAAm	unrated	Aaa	186,807
Guaranteed investment contracts	AAA	AA	unrated	95,998
	AA	unrated	unrated	99,798
	A	unrated	unrated	28,737
Government obligations	AAA	AAA	Aaa	151,155
	AAA	AAA	Aaa	107,709
	AAA	unrated	Aaa	2,991
	unrated	AAA	Aaa	11,579
	unrated	unrated	Aaa	<u>129</u>
Total Rated Investments				<u>\$ 933,258</u>

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NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk: The SRF Programs have no custodial credit risk. The investments are secured by government securities held pursuant to securities or repurchase contracts or otherwise secured by perfected security interest in the same. Such government securities are either issued or guaranteed by the United States Government, including United States Treasury obligations and any other obligations, the timely payment of principal and interest of which, are guaranteed by the United States Government and bonds, notes, debentures, obligations or other evidence of indebtedness issued and/or guaranteed by Fannie Mae, Federal Home Loan Mortgage Corporation, Government National Mortgage Association or any other agency or instrumentality of the United States of America, including, but not limited to, mortgage participation certificates, mortgage pass-through certificates, collateralized mortgage obligations and other mortgage-backed securities.

Concentration of Credit Risk: The Program places no limit on the amount the SRF Programs may invest in any one issuer. The following table shows investments in issuers that represent 5% or more of the total investments at June 30, 2009:

Dreyfus Cash Management CI A Fd 288	27%
Dreyfus Gov't Cash Management Fd 289	20%
U.S. Treasury	16%
Trinity Plus Funding Company, LLC GIC	11%
Federal Home Loan Mortgage Assn.	11%
FSA Capital Management GIC	10%

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NOTE 3 - LOANS RECEIVABLE

The net proceeds from the issuance of the Revenue Bonds were deposited in the SRF Programs Account and are used primarily to fund loans to participants for eligible projects. The State's current intended use plans include a list of publicly-owned wastewater treatment works, a list of drinking water systems, and other projects proposed by eligible participants, which the State anticipates will be eligible for financial assistance.

The loans receivable balance at June 30, 2009 and 2008 includes actual advances for construction and related costs on eligible projects net of principal payments from participants as follows:

	Loans Receivable as of June 30, 2009	Loans Receivable as of June 30, 2008	Actual Loan Available Less Principal Repayments as of June 30, 2009
Wastewater Fund	\$ 1,472,341,819	\$ 1,396,332,029	\$ 1,544,906,949
Drinking Water Fund	<u>266,285,261</u>	<u>253,114,651</u>	<u>287,585,473</u>
Total All Loans	<u>\$ 1,738,627,080</u>	<u>\$ 1,649,446,680</u>	<u>\$ 1,832,492,422</u>

These amounts represent projects that have been submitted and approved by the SRF Programs, and the loans have been closed. Loans receivable includes current portions of \$71,830,032 at June 30, 2009 and \$71,300,293 at June 30, 2008.

STATE REVOLVING FUND LOAN PROGRAMS
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 3 - LOANS RECEIVABLE (Continued)

As of June 30, 2009, the outstanding balances of closed loans exceeding 50 percent of the total loans receivable and representing the Programs' largest borrowers are summarized below:

Name of Participant	Loans Receivable as of June 30, 2009	Loans Receivable as of June 30, 2008	Actual Loan Available Less Principal Repayments as of June 30, 2009
Wastewater Fund			
City of Indianapolis	\$ 402,597,895	\$ 397,208,371	\$ 421,512,500
City of Columbus	80,708,000	27,507,000	88,708,000
City of Evansville	68,830,510	52,906,510	68,830,510
City of Fort Wayne	55,472,351	53,663,708	55,518,000
City of Lafayette	53,512,080	56,572,080	53,512,080
City of Hammond	43,180,000	45,809,935	43,180,000
City of West Lafayette	35,890,983	30,608,464	39,725,000
Drinking Water Fund			
City of Fort Wayne	28,690,000	30,355,000	28,690,000
City of Bloomington	20,296,000	21,185,000	20,296,000
City of Mishawaka	17,435,000	18,427,271	17,435,000
City of East Chicago	17,045,000	17,680,000	17,045,000
City of Greensburg	12,750,074	8,929,684	15,000,000
City of Jasper	10,605,000	11,302,000	10,605,000
City of Martinsville	9,299,590	5,959,322	9,865,000
Town of Santa Claus	6,200,000	-	6,200,000
City of Michigan City	6,109,916	6,159,916	6,109,916
Town of Syracuse	5,788,868	5,999,606	6,090,000
City of Huntingburg	6,060,000	6,439,000	6,060,000

STATE REVOLVING FUND LOAN PROGRAMS
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 4 - INTEREST RECEIVABLE

Interest receivable consists of accrued interest on investments and loans to participants as follows:

Interest receivable at June 30, 2009:

	Investments	Loans	Total
Wastewater	\$ 5,426,506	\$ 16,504,734	\$ 21,931,240
Drinking Water	<u>1,162,177</u>	<u>1,944,771</u>	<u>3,106,948</u>
	<u>\$ 6,588,683</u>	<u>\$ 18,449,505</u>	<u>\$ 25,038,188</u>

Interest receivable at June 30, 2008:

	Investments	Loans	Total
Wastewater	\$ 13,798,298	\$ 15,454,762	\$ 29,253,060
Drinking Water	<u>2,543,693</u>	<u>1,671,574</u>	<u>4,215,267</u>
	<u>\$ 16,341,991</u>	<u>\$ 17,126,336</u>	<u>\$ 33,468,327</u>

NOTE 5 - DEFERRED CHARGES, NET

Deferred charges represent bond issuance costs which are being amortized using the interest method over the life of the related bond issue. Accumulated amortization was \$8,850,058 and \$7,583,492 at June 30, 2009 and 2008, respectively. The net unamortized deferred charges were \$7,964,571 and \$9,231,137 at June 30, 2009 and 2008, respectively. Future amortization of deferred charges is as follows:

June 30, 2010	\$ 988,835
June 30, 2011	908,574
June 30, 2012	829,007
June 30, 2013	769,731
June 30, 2014	708,114
Thereafter	<u>3,760,310</u>
	<u>\$ 7,964,571</u>

STATE REVOLVING FUND LOAN PROGRAMS
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NOTE 6 - ARBITRAGE REBATE AND YIELD REDUCTION PAYMENTS TO U.S. TREASURY

Several series of bonds issued by the Indiana Bond Bank, succeeded by the Authority, in connection with the SRF Programs were the subject of legal opinions as of the date of their issuance to the effect that interest on such bonds was excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). Under the Code, such exclusion is conditioned on continuing compliance with certain tax covenants including payment of certain earnings in excess of the bond yield to the U.S. Treasury as rebate or yield reduction payments. The estimated liabilities, which were calculated as of January 31, 2009, are recorded in both the general short-term debt group for the current portion and the general long-term debt account group for the long term portion. With respect to such bonds, as of June 30, 2009, the SRF Programs had the following liabilities:

	Yield Reduction	Due Date
2000A		
Wastewater Fund	\$ 552,969	January 31, 2010
Drinking Water Fund	96,742	January 31, 2010
2005A		
Wastewater Fund	764,640	January 31, 2010
Drinking Water Fund	262,550	January 31, 2010
2006A		
Wastewater Fund	2,099,287	January 31, 2011
Drinking Water Fund	179,327	January 31, 2011
2006B		
Wastewater Fund	1,100,884	January 31, 2011
Drinking Water Fund	273,503	January 31, 2011
2007A		
Wastewater Fund	486,213	January 31, 2012
Drinking Water Fund	73,231	January 31, 2012
1998A		
Wasterwater Fund	1,374,630	January 31, 2013
Drinking Water Fund	<u>299,299</u>	January 31, 2013
	<u>\$ 7,563,275</u>	

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NOTE 7 - BONDS PAYABLE

Bonds payable at June 30, 2009 and 2008 for bonds issued on behalf of the SRF Programs are summarized as follows:

	2009	2008
<u>Wastewater Fund:</u>		
Series 2007B Bonds issued December 13, 2007 for the aggregate amount of \$94,530,000, maturing from February 1, 2010 to February 1, 2028 at interest rates ranging from 4.00% to 5.50%. Of this, \$66,305,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	\$ 66,305,000	\$ 66,305,000
Series 2007A Bonds issued May 30, 2007 for the aggregate amount of \$71,230,000, maturing from February 1, 2008 to February 1, 2027 at interest rates ranging from 4.00% to 5.00%. Of this, \$61,255,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	61,255,000	61,255,000
Series 2006B Bonds issued December 13, 2006 for the aggregate amount of \$142,930,000, maturing from February 1, 2008 to February 1, 2028 at interest rates ranging from 3.50% to 5.50%. Of this, \$112,745,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	110,005,000	112,560,000
Series 2006A Bonds issued April 25, 2006 for the aggregate amounts of \$221,355,000, maturing from February 1, 2007 to February 1, 2027 at interest rates ranging from 3.60% to 5.25%. Of this, \$203,760,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	182,445,000	188,795,000

STATE REVOLVING FUND LOAN PROGRAMS
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 7 - BONDS PAYABLE (Continued)

	2009	2008
Series 2005A Refunding Bonds issued December 7, 2005 for the aggregate amount of \$277,930,000 to refund the callable portion of Series 1997A, 1998A, 2000A, 2000B, 2001A, and 2002B Bonds, maturing from February 1, 2006 to February 1, 2029 at interest rates ranging from 3.30% to 5.25%. Of this, \$197,950,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	\$ 193,200,000	\$ 195,930,000
Series 2004A Refunding Bonds issued April 7, 2004 for the aggregate amount of \$113,115,000 to refund the callable portion of the Series 1994A and 1995A Bonds, maturing from February 1, 2005 to February 1, 2012 at interest rates ranging from 1.74% to 3.98%.	43,595,000	58,540,000
Series 2004B Bonds issued April 7, 2004 for the aggregate amounts of \$200,000,000, maturing from February 1, 2005 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this amount, \$167,480,000 was the final allocation to the WSRF program based upon the percentage of original bond proceeds allocated to each program.	152,500,734	155,691,351
Series 2004C Bonds issued June 23, 2004 for the aggregate amount of \$200,000,000, maturing serially through February 1, 2027 at interest rates ranging from 5.00% to 5.25%.	177,810,000	183,770,000
Series 2002A Refunding Bonds issued December 23, 2002 for the aggregate amount of \$75,070,000 to refund the callable portion of the Series 1993A Bonds, maturing from February 1, 2004 to February 1, 2013 at interest rates ranging from 1.86% to 4.84%.	29,465,000	38,045,000

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NOTE 7 - BONDS PAYABLE (Continued)

	2009	2008
Series 2002B Bonds issued December 23, 2002 for the aggregate amount of \$66,695,000, maturing from February 1, 2013 to February 1, 2024 at interest rates from 4.00% to 5.375%. Of this amount, \$52,422,270 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In December 2005, \$3,775,000 was refunded. The remaining \$48,647,003 maturing from February 1, 2013 to February 1, 2024.	\$ 48,647,003	\$ 48,647,003
Series 2001A Bonds issued October 24, 2001 for the aggregate amount of \$400,000,000, maturing from August 1, 2003 to February 1, 2023 at interest rates from 3.5% to 5.5%. Of this amount, \$320,104,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In December 2005, \$2,885,000 was refunded. The remaining \$312,705,534 maturing from February 1, 2006 to February 1, 2023.	292,366,926	300,125,446
Series 2000B Bonds issued January 9, 2001 for the aggregate amount of \$100,000,000, maturing August 1, 2019 to August 1, 2023 at interest rates from 5.00% to 5.35%. Of this amount, \$69,950,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program. In December 2005, \$55,244,542 was refunded. The remaining \$14,706,730 maturing August 1, 2023.	14,706,730	14,706,730
Series 1998A Bonds issued September 1, 1998 for the aggregate amount of \$90,000,000, maturing serially through February 1, 2020 at interest rates from 4.00% to 5.00% amount, \$67,750,534 was allocated to the WSRF Program based. Of this upon the percentage of the original bond proceeds allocated to each program. In December 2005, \$25,983,504 was refunded. The remaining \$32,964,994 maturing from February 1, 2006 to February 1, 2020.	24,228,939	27,330,408

STATE REVOLVING FUND LOAN PROGRAMS
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NOTE 7 - BONDS PAYABLE (Continued)

	2009	2008
Series 1997A Bonds issued September 1, 1997 for the aggregate amount of \$85,000,000, maturing serially through February 1, 2019 at interest rates from 4.50% to 6.00%. In December 2005, \$62,425,000 was refunded. The remaining \$14,410,000 maturing from February 1, 2007 to February 1, 2010.	\$ 4,070,000	\$ 7,905,000
Subtotal-Wastewater	<u>1,400,600,332</u>	<u>1,459,605,938</u>

Drinking Water Fund:

Series 2007B Bonds issued December 13, 2007 for the aggregate amount of \$94,530,000, maturing from February 1, 2010 to February 1, 2028 at interest rates ranging from 4.00% to 5.50%. Of this, \$28,225,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	28,225,000	28,225,000
Series 2007A Bonds issued May 30, 2007 for the aggregate amount of \$71,230,000, maturing from February 1, 2008 to February 1, 2027 at interest rates ranging from 4.00% to 5.00%. Of this, \$9,975,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	9,230,000	9,630,000
Series 2006B Bonds issued December 13, 2006 for the aggregate amount of \$142,930,000, maturing from February 1, 2008 to February 1, 2028 at interest rates ranging from 3.50% to 5.50%. Of this, \$30,185,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	27,335,000	28,880,000

**STATE REVOLVING FUND LOAN PROGRAMS
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 7 - BONDS PAYABLE (Continued)

	2009	2008
Series 2006A Bonds issued April 25, 2006 for the aggregate amounts of \$221,355,000, maturing from February 1, 2007 to February 1, 2027 at interest rates ranging from 3.60% to 5.25%. Of this, \$17,595,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	\$ 15,585,000	\$ 16,225,000
Series 2005A Refunding Bonds issued December 7, 2005 for the aggregate amount of \$277,930,000 to refund the callable portion of Series 1997A, 1998A, 2000A, 2000B, 2001A, and 2002B Bonds, maturing from February 1, 2006 to February 1, 2029 at interest rates ranging from 3.30% to 5.25%. Of this, \$77,535,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	66,335,000	70,140,000
Series 2004B Bonds issued April 7, 2004 for the aggregate amount of \$200,000,000, maturing from February 1, 2005 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this amount, \$32,520,000 was the final allocation to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	29,604,266	30,223,649
Series 2002B Bonds issued December 23, 2004 for the aggregate amount of \$66,695,000, maturing from February 1, 2013 to February 1, 2024 at interest rates from 4.00% to 5.375%. Of this amount, \$14,272,730 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In December 2005, \$2,165,000 was refunded. The remaining \$12,107,997 maturing from February 1, 2013 to February 1, 2024.	12,107,997	12,107,997

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE 7 - BONDS PAYABLE (Continued)

	2009	2008
Series 2001A Bonds issued October 24, 2001 for the aggregate amount of \$400,000,000, maturing from August 1, 2004 to February 1, 2023 at interest rates from 3.5% to 5.5%. Of this amount, \$79,896,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In December 2005, \$16,600,000 was refunded. The remaining \$61,444,466 maturing from February 1, 2006 to February 1, 2023.	\$ 56,368,074	\$ 58,304,554
Series 2000B Bonds issued January 9, 2001 for the aggregate amount of \$100,000,000, maturing August 1, 2019 to August 1, 2023 at interest rates from 5.00% to 5.35%. Of this amount, \$30,050,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program. In December 2005, \$17,100,458 was refunded. The remaining \$12,948,270 maturing from August 1, 2006 to August 1, 2023.	12,948,270	12,948,270
Series 1998A Bonds issued September 1, 1998 for the aggregate amount of \$90,000,000, maturing serially through February 1, 2020 at interest rates from 4.00% to 5.00%. Of this amount, \$22,249,466 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program. In December 2005, \$10,421,496 was refunded. The remaining \$8,145,006 maturing from February 1, 2006 to February 1, 2020.	<u>5,276,061</u>	<u>6,294,592</u>
Subtotal-Drinking Water	<u>263,014,668</u>	<u>272,979,062</u>
Total Principal	1,663,615,000	1,732,585,000
Loss on refunding	(7,369,941)	(9,975,217)
Net premium (discount) on bonds payable	<u>59,729,000</u>	<u>67,046,740</u>
Total Bonds Payable	1,715,974,059	1,789,656,523
Less: Current portion	<u>79,190,000</u>	<u>68,970,000</u>
Long-term Portion	<u>\$ 1,636,784,059</u>	<u>\$ 1,720,686,523</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE 7 - BONDS PAYABLE (Continued)

In December 2005, the Authority issued Series 2005A Refunding Bonds for the aggregate amount of \$277,930,000, which included \$258,815,000 of refunding debt. The refunding debt was used to refund in advance of their stated maturity dates portions of the Series 1997A, 1998A, 2000A, 2000B, 2001A, and 2002B Bonds.

In March 2008, the Authority cash defeased the remaining maturities of the Series 2000A Bonds. A cash deposit of \$30,585,073 was made to an escrow fund, which will pay principal and interest for the defeased debt totaling \$28,725,000. At June 30, 2009, the amount of defeased debt still outstanding, but no longer considered long-term debt, was \$193,350,000.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE 7 - BONDS PAYABLE (Continued)

The aggregate debt service requirements for all bonds allocable to the SRF Programs as of June 30, 2009, are as follows:

	Principal		Interest		Debt Service Total
	Wastewater Fund	Drinking Water Fund	Wastewater Fund	Drinking Water Fund	
2010	\$ 67,001,854	\$ 12,188,146	\$ 69,852,569	\$ 13,123,556	\$ 82,976,125
2011	71,952,056	13,052,944	66,769,873	12,536,674	79,306,547
2012	75,588,657	13,471,343	63,417,002	11,918,554	75,335,556
2013	79,165,753	13,884,247	59,777,936	11,242,656	71,020,592
2014	84,668,776	15,506,224	55,740,537	10,567,713	66,308,250
2015-2019	465,815,712	90,099,288	210,669,236	40,250,799	250,920,035
2020-2024	397,006,588	83,348,412	93,193,199	16,195,447	109,388,646
2025-2029	159,400,936	21,464,064	16,276,142	2,403,298	18,679,440
	<u>1,400,600,332</u>	<u>263,014,668</u>	<u>635,696,494</u>	<u>118,238,697</u>	<u>753,935,191</u>
Loss on Refunding	(5,205,148)	(2,164,793)	-	-	(7,369,941)
Premium/(Discount)	<u>49,796,879</u>	<u>9,932,121</u>	<u>-</u>	<u>-</u>	<u>59,729,000</u>
Total	<u>\$1,445,192,063</u>	<u>\$270,781,996</u>	<u>\$ 635,696,494</u>	<u>\$ 118,238,697</u>	<u>\$ 753,935,191</u>
					<u>\$2,469,909,250</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of total debt service:

	Interest Rates Ranges	Maturity Range	Annual Payment Range	Principal
Wastewater Fund	3.15%-5.50%	2010-2028	\$18,910,000 -	\$ 1,400,600,332
Drinking Water Fund	3.40%-5.50%	2010-2029	1,195,000 - 20,433,438	<u>263,014,668</u>
Combined Programs	3.40%-5.50%	2010-2029	1,195,000 - 122,785,000	1,663,615,000
Less: Current Portion				<u>79,190,000</u>
Total Long-term Portion				<u>\$ 1,584,425,000</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE 8 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2009 and 2008 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year	Amounts Due Within One Year	Amounts Due Thereafter
June 30, 2009:						
Amount due to federal government	\$ 6,351,215	\$ 1,212,060	\$ -	\$ 7,563,275	\$ 1,676,901	\$ 5,886,374
Bonds payable	1,732,585,000	-	68,970,000	1,663,615,000	79,190,000	1,584,425,000
Loss on refunding	(9,975,217)	2,605,276	-	(7,369,941)	-	(7,369,941)
Net premium on bonds payable	67,046,740	-	7,317,740	59,729,000	-	59,729,000
	<u>\$ 1,796,007,738</u>	<u>\$ 3,817,336</u>	<u>\$ 76,287,740</u>	<u>\$ 1,723,537,334</u>	<u>\$ 80,866,901</u>	<u>\$ 1,642,670,433</u>
June 30, 2008:						
Amount due to federal government	\$ 2,577,248	\$ 3,773,967	\$ -	\$ 6,351,215	\$ -	\$ 6,351,215
Bonds payable	1,666,780,000	94,530,000	28,725,000	1,732,585,000	68,970,000	1,663,615,000
Loss on refunding	(13,456,923)	3,481,706	-	(9,975,217)	-	(9,975,217)
Net premium on bonds payable	68,222,485	6,180,653	7,356,398	67,046,740	-	67,046,740
	<u>\$ 1,724,122,810</u>	<u>\$ 107,966,326</u>	<u>\$ 36,081,398</u>	<u>\$ 1,796,007,738</u>	<u>\$ 68,970,000</u>	<u>\$ 1,727,037,738</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE 9 - FUND TRANSFERS

Consistent with its Intended Use Plans and EPA's related Policy Statement, the Authority is required to report on transfers between the DWSRF and the WSRF in its Financial Statements. In its Intended Use Plans, the SRF Programs retained the flexibility to make transfers of grants (and other funds) held in or allocable to such funds to the extent permitted by the Clean Water Act and the Safe Drinking Water Act. As of June 30, 2009, an amount up to 33% of the Safe Drinking Water Act grants for Federal Fiscal Years (FFY) 1997 through 2009 could be so transferred on a net cumulative basis between the two SRF Program funds.

Based on the State's award of Safe Drinking Water Act related funds for FFY 1997 through 2009, to date, the following transfers were made:

2001	\$ 20,464,898
2002	3,270,417

NOTE 10 - PROGRAM REVENUE

For the years ended June 30, 2009 and 2008, program revenues consisted of the following:

	2009	2008
Operating grants and contributions	\$ 163,393,211	\$ 107,495,400
Capital grants and contributions	<u>29,592,049</u>	<u>30,010,936</u>
	<u>\$ 192,985,260</u>	<u>\$ 137,506,336</u>

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*Independent Auditors' Report
on Combining Schedules*

Board of Directors of the Indiana Finance Authority
State Revolving Fund Loan Programs

Our report on our audits of the basic combined financial statements of the State Revolving Fund Loan Programs for the years ended June 30, 2009 and 2008, appears on pages 1-2. Those audits were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The accompanying combining schedules are presented for purposes of additional analysis of the basic combined financial statements rather than to present the financial position, results of operations and cash flows of the individual programs. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 29, 2009

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF NET ASSETS INFORMATION
June 30, 2009 and 2008

ASSETS	Wastewater Program		Drinking Water Program		Combined	
	2009	2008	2009	2008	2009	2008
Current Assets:						
Cash and equivalents	\$ 391,199,722	\$ 257,344,326	\$ 87,581,350	\$ 69,700,033	\$ 478,781,072	\$ 327,044,359
Interest receivable-investments	5,426,506	13,798,298	1,162,177	2,543,693	6,588,683	16,341,991
Interest receivable-loans	16,504,734	15,454,762	1,944,771	1,671,574	18,449,505	17,126,336
Due from EPA	16,856,787	-	12,749,541	11,177,225	29,606,328	11,177,225
Loans receivable	60,555,530	61,627,402	11,274,502	9,672,891	71,830,032	71,300,293
Total Current Assets	490,543,279	348,224,788	114,721,341	94,765,416	605,255,620	442,990,204
Noncurrent Assets:						
Investments	359,157,395	555,757,223	95,319,693	114,795,534	454,477,088	670,552,757
Loans receivable, net	1,411,786,289	1,334,704,627	255,010,759	243,441,760	1,666,797,048	1,578,146,387
Equipment, net	22,400	19,815	8,167	10,167	30,567	29,982
Deferred charges, net	6,703,000	7,790,592	1,261,571	1,440,545	7,964,571	9,231,137
Total Noncurrent Assets	1,777,669,084	1,898,272,257	351,600,190	359,688,006	2,129,269,274	2,257,960,263
Total Assets	2,268,212,363	2,246,497,045	466,312,531	454,453,422	2,734,524,894	2,700,950,467
LIABILITIES						
Current Liabilities:						
Interest payable	29,167,689	30,213,064	5,482,118	5,676,484	34,649,807	35,889,548
Accounts payable	240,148	304,018	17,407	12,184	257,555	316,202
Amount due to federal government	1,317,609	-	359,292	-	1,676,901	-
Bonds payable-current, net	67,001,854	59,005,606	12,188,146	9,964,394	79,190,000	68,970,000
Total Current Liabilities	97,727,300	89,522,688	18,046,963	15,653,062	115,774,263	105,175,750
Long-term Liabilities:						
Amount due to federal government	5,061,014	5,591,510	825,360	759,705	5,886,374	6,351,215
Bonds payable, net	1,378,190,209	1,449,022,500	258,593,850	271,664,023	1,636,784,059	1,720,686,523
Total Long-term Liabilities	1,383,251,223	1,454,614,010	259,419,210	272,423,728	1,642,670,433	1,727,037,738
Total Liabilities	1,480,978,523	1,544,136,698	277,466,173	288,076,790	1,758,444,696	1,832,213,488
NET ASSETS						
Restricted for water pollution and drinking water projects and other related program purposes	\$ 787,233,840	\$ 702,360,347	\$ 188,846,358	\$ 166,376,632	\$ 976,080,198	\$ 868,736,979

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION
Years Ended June 30, 2009 and 2008

	Wastewater Program		Drinking Water Program		Combined	
	2009	2008	2009	2008	2009	2008
OPERATING REVENUE						
Interest income-investments	\$ 90,496,042	\$ 45,923,624	\$ 15,609,787	\$ 8,230,845	\$ 106,105,829	\$ 54,154,469
Interest income-loan participants	48,465,325	44,656,847	8,534,263	8,204,948	56,999,588	52,861,795
Administration fee	14,267	26,001	10,000	5,000	24,267	31,001
Other	-	-	263,527	448,135	263,527	448,135
Total Operating Revenue	138,975,634	90,606,472	24,417,577	16,888,928	163,393,211	107,495,400
OPERATING EXPENSES						
Interest	68,319,520	74,889,924	12,946,371	13,304,306	81,265,891	88,194,230
Amortization of deferred charges	914,758	1,012,839	160,149	164,544	1,074,907	1,177,383
Trustee fees	80,006	106,419	-	2,030	80,006	108,449
Other program and administrative	1,644,644	1,147,883	1,576,593	442,989	3,221,237	1,590,872
Total Operating Expenses	70,958,928	77,157,065	14,683,113	13,913,869	85,642,041	91,070,934
OPERATING INCOME	68,016,706	13,449,407	9,734,464	2,975,059	77,751,170	16,424,466
CAPITAL CONTRIBUTIONS	16,856,787	16,472,652	12,735,262	13,538,284	29,592,049	30,010,936
INCREASE IN NET ASSETS	84,873,493	29,922,059	22,469,726	16,513,343	107,343,219	46,435,402
NET ASSETS						
Beginning of Year	702,360,347	672,438,288	166,376,632	149,863,289	868,736,979	822,301,577
End of Year	\$ 787,233,840	\$ 702,360,347	\$ 188,846,358	\$ 166,376,632	\$ 976,080,198	\$ 868,736,979

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF CASH FLOWS INFORMATION
Years Ended June 30, 2009 and 2008

	Wastewater Program		Drinking Water Program		Combined	
	2009	2008	2009	2008	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash payments for salaries, administrative and other expenses	\$ (1,788,520)	\$ (1,762,537)	\$ (1,307,843)	\$ 600,155	\$ (3,096,363)	\$ (1,162,382)
Administration fee	14,267	26,001	10,000	5,000	24,267	31,001
Net Cash Provided (Used) by Operating Activities	(1,774,253)	(1,736,536)	(1,297,843)	605,155	(3,072,096)	(1,131,381)
CASH FLOWS FROM INVESTING ACTIVITIES						
Maturities of loans to participants	69,374,622	64,120,497	11,261,912	10,761,082	80,636,534	74,881,579
Issuance of loans to participants	(145,384,412)	(240,778,404)	(24,432,522)	(28,582,334)	(169,816,934)	(269,360,738)
Change in investments	196,599,828	(13,190,823)	19,475,841	(1,052,668)	216,075,669	(14,243,491)
Interest received on loans and investments	146,283,187	87,755,145	25,252,369	16,293,604	171,535,556	104,048,749
Purchase of capital assets	(6,430)	(12,120)	-	(12,000)	(6,430)	(24,120)
Net Cash Provided (Used) by Investing Activities	266,866,795	(102,105,705)	31,557,600	(2,592,316)	298,424,395	(104,698,021)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Proceeds from debt issuance	-	66,305,000	-	28,225,000	-	94,530,000
Principal payments to reduce indebtedness including refunding	(62,832,198)	(82,702,629)	(10,844,421)	(13,186,115)	(73,676,619)	(95,888,744)
Payment of debt issuance costs, net of refunding	172,834	(397,485)	18,825	(195,782)	191,659	(593,267)
Change in amount due to federal government	787,113	3,262,383	424,947	511,584	1,212,060	3,773,967
Interest paid on debt	(69,364,895)	(74,878,576)	(13,140,737)	(13,019,028)	(82,505,632)	(87,897,604)
Net Cash Provided (Used) by Non-Capital Financing Activities	(131,237,146)	(88,411,307)	(23,541,386)	2,335,659	(154,778,532)	(86,075,648)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Capital contributions (EPA grants)	-	42,266,508	11,162,946	13,156,019	11,162,946	55,422,527
Net Cash Provided by Capital Financing Activities	-	42,266,508	11,162,946	13,156,019	11,162,946	55,422,527
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS						
	133,855,396	(149,987,040)	17,881,317	13,504,517	151,736,713	(136,482,523)
CASH AND EQUIVALENTS						
Beginning of Year	257,344,326	407,331,366	69,700,033	56,195,516	327,044,359	463,526,882
End of Year	\$ 391,199,722	\$ 257,344,326	\$ 87,581,350	\$ 69,700,033	\$ 478,781,072	\$ 327,044,359
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income	\$ 68,016,706	\$ 13,449,407	\$ 9,734,464	\$ 2,975,059	\$ 77,751,170	\$ 16,424,466
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Interest income	(138,961,367)	(90,580,471)	(24,144,050)	(16,435,793)	(163,105,417)	(107,016,264)
Interest expense	68,319,520	74,889,924	12,946,371	13,304,306	81,265,891	88,194,230
Amortization of deferred charges	914,758	1,012,839	160,149	164,544	1,074,907	1,177,383
Changes in assets and liabilities:						
Accounts payable	(63,870)	(508,235)	5,223	597,039	(58,647)	88,804
Net Cash Provided (Used) by Operating Activities	\$ (1,774,253)	\$ (1,736,536)	\$ (1,297,843)	\$ 605,155	\$ (3,072,096)	\$ (1,131,381)



**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
OMB CIRCULAR A-133 AUDITORS' REPORTS**

June 30, 2009

KATZ, SAPPER & MILLER

Certified Public Accountants

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)**

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*Independent Auditors' Report on Internal Control
over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with Government Auditing Standards*

Year Ended June 30, 2009

Indiana Finance Authority
State Revolving Fund Loan Programs

We have audited the combined financial statements of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State Revolving Fund Loan Programs' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State Revolving Fund Loan Programs' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State Revolving Fund Loan Programs' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Revolving Fund Loan Programs' combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, board of directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Katz, Sogow & Miller, LLP

Indianapolis, Indiana
September 29, 2009

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009**

	CFDA Number	Grant Number	Program or Award Amount	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
Capitalization Grants for Wastewater				
State Revolving Funds	66.458	CS 18000109-0	\$ 16,399,548	\$ 16,399,548
	66.458	2W-00E73001	94,447,500	457,239 *
				<u>16,856,787</u>
Capitalization Grants for Drinking				
Water State Revolving Funds				
	66.468	FS98548609-0	11,367,000	11,367,000
	66.468	2F-00E2901	27,212,000	1,368,262 *
	66.468	FS98548606-0	417,488	192,248
	66.468	FS98548605-0	400,000	21,279
	66.468	FS98548605-0	194,574	5,014
	66.468	FS98548604-0	194,986	44,986
				<u>12,998,789</u>
				<u>\$ 29,855,576</u>

* Grant relates to the American Recovery and Reinvestment Act of 2009

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic combined financial statements

NOTE 2 - SUBRECIPIENTS

The State Revolving Fund Loan Programs provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided
Capitalization Grants for Wastewater State Revolving Funds	66.458	\$16,856,787
Capitalization Grants for Drinking Water State Revolving Funds	66.468	12,735,262

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*Independent Auditors' Report on Compliance with
Requirements Applicable to Each Major Program and on
Internal Control over Compliance in Accordance with
OMB Circular A-133*

Year Ended June 30, 2009

Indiana Finance Authority
State Revolving Fund Loan Programs

Compliance

We have audited the compliance of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to the major federal programs for the year ended June 30, 2009. The State Revolving Fund Loan Programs' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal programs is the responsibility of the State Revolving Fund Loan Programs' management. Our responsibility is to express an opinion on the State Revolving Fund Loan Programs' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State Revolving Fund Loan Programs' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the State Revolving Fund Loan Programs' compliance with those requirements.

In our opinion, the State Revolving Fund Loan Programs complied, in all material respects, with the requirements referred to above that are applicable to the major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the State Revolving Fund Loan Programs is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State Revolving Fund Loan Programs' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State Revolving Fund Programs' internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the combined financial statements of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 29, 2009. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the State Revolving Fund Loan Programs' basic combined financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic combined financial statements taken as a whole.

This report is intended solely for the information and use of management, board of directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Katz, Agnew & Miller, LLP

Indianapolis, Indiana
September 29, 2009

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

SECTION I

Summary of Auditors' Results

Type of report issued on the financial statements:	Unqualified
Material weakness in internal control over financial reporting:	No
Material noncompliance:	No
Significant deficiencies in internal control over compliance for major programs:	No
Material weakness in internal control over compliance for major programs:	No
Type of report issued on compliance for major programs:	Unqualified
Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133:	No

The programs identified and tested as major programs were:

CFDA Number	Agency	Title
66.458	U.S. Environment Protection Agency	Capitalization Grants for State Revolving Funds
66.468	U.S. Environment Protection Agency	Capitalization Grants for State Revolving Funds

The threshold used to distinguish between type A and type B programs was \$895,667

Auditee qualified as a low risk auditee X Yes No

SECTION II

FINANCIAL STATEMENT FINDINGS

Findings related to the financial statements that are required to be reported in accordance with GAGAS:

None

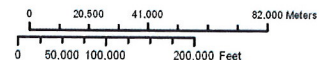
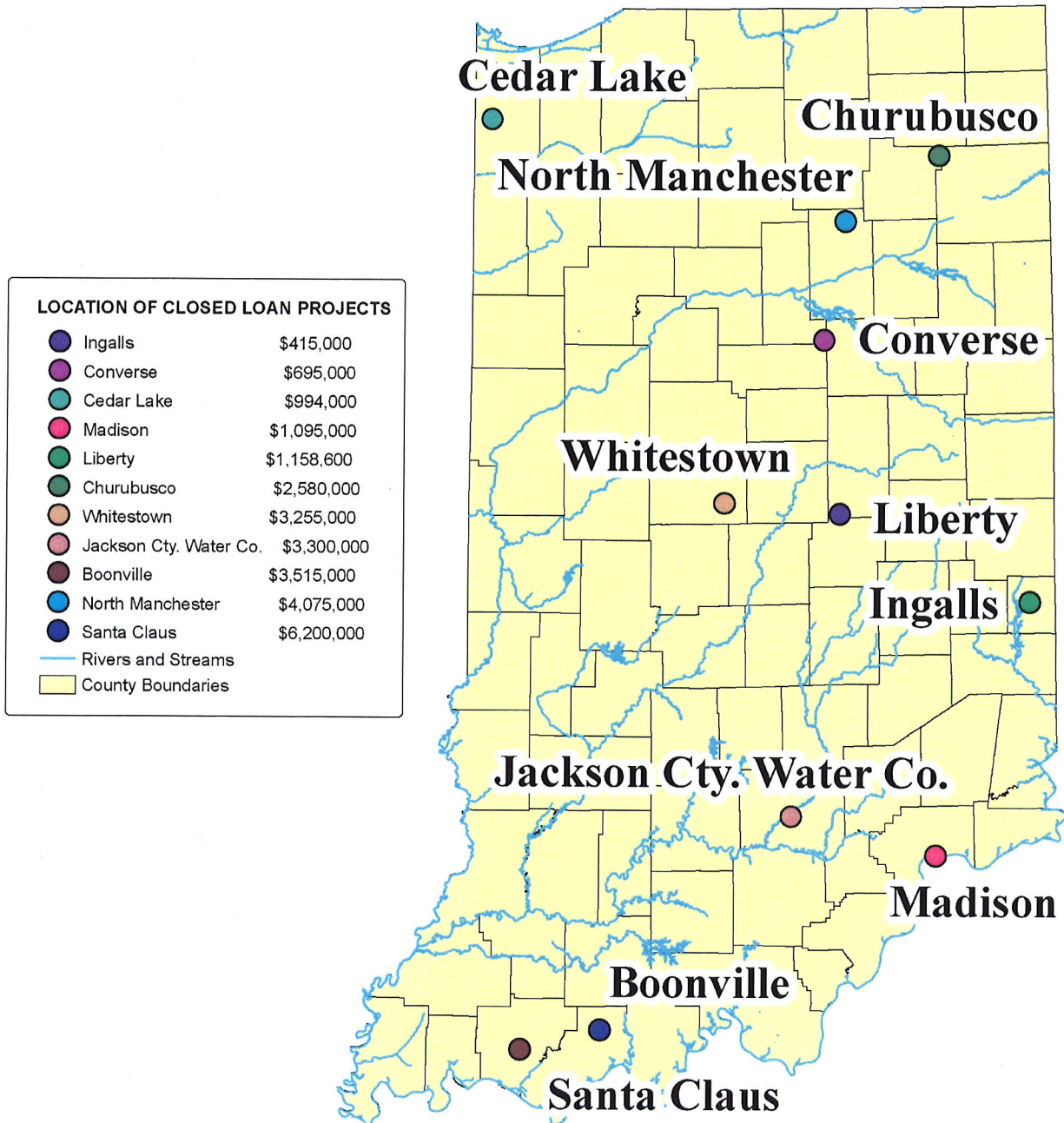
SECTION III

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings and questioned costs for federal awards including audit findings as defined in OMB Circular A-133 Section 510(a):

None

State Revolving Fund SFY 2009 Drinking Water Projects



Sources:

Non Orthophotography

Data - Obtained from the State of Indiana Geographical Information Office Library

Orthophotography - Obtained from Indiana Map Framework Data (www.indianamap.org)

Map Projection: UTM Zone 18 N **Map Datum:** NAD83



This map is intended to serve as an aid in graphic representation only. This information is not warranted for accuracy or other purposes.
Mapped By:
 STAFF OF DISS, Office of Water
Date: 09/15/2009

State Revolving Fund Drinking Water Projects (SFYs 1999-2009)



Sources:

Non Orthophotography

Data - Obtained from the State of Indiana Geographical Information Office Library

Orthophotography - Obtained from Indiana Map Framework Data (www.indianamap.org)

Map Projection: UTM Zone 16 N **Map Datum:** NAD83



This map is intended to serve as an aid in graphic representation only. This information is not warranted for accuracy or other purposes.
Mapped By:
Staff of DISS, Office of Water
Date: 09/15/2009

Exhibit M
SFY 2009 DWSRF Set-Asides Summary

The SFY 2009 activities funded by the DWSRF Set-Asides are summarized below. Schedule L-1 (attached) identifies Set-Aside financial activity for all capitalization grants, which reflects the receipts, disbursements, and commitments of all Set-Aside funds awarded through and including June 30, 2009.

Small System Technical Assistance Fund (SSTAF) Grants

During SFY 2009, the Authority disbursed two SSTAF grants, which totaled \$50,000. STAFF grants are awarded to communities with a population less than 10,000 and a median household income less than \$41,566.

SRF Participant	Population Served	Grant Amount
Town of Converse	1,137	\$25,000
Town of North Manchester	6,260	\$25,000
TOTAL		\$50,000

Arsenic Remediation Grant Program

During SFY 2009, the Authority disbursed 10 Arsenic Remediation Grants, which totaled \$525,933.85. These grants were funded from a combination of the State Program Management Set-Aside (\$31,279.00) and State Supplemental funds (\$494,654.85), with the Set-Aside funds paying for planning and design and the State Supplemental funds paying for construction costs.

The 10 Arsenic Remediation Grant Recipients were:

Participant	County	Population Served	Grant Amount
Southwestern High School	Shelby	450	\$94,998.00
North Salem Water Corporation	Hendricks	525	\$11,600.00
United Christian School	Elkhart	95	\$67,350.56
Prairie Heights Middle School	LaGrange	1,100	\$41,425.00
Madison Elementary School	St. Joseph	197	\$100,000.00
Milford Elementary	LaGrange	155	\$26,050.00
East 40 Mobile Home Park	Hancock	58	\$8,785.00
Maple Lawn Village	Miami	270	\$66,227.47
Church of the Heartland Starke County	Starke	150	\$9,497.82
Robins Nest (for Douglas MacArthur Elementary)	Lake	567	\$100,000.00
TOTAL			\$525,933.85

Administrative Set-Asides Activities

During SFY 2009, the Authority used administrative Set-Asides to offset DWSRF Loan Program costs to the extent permitted by the SDWA.

Exhibit M-1

**Summary of State of Indiana Set-Aside Activity
Total for Grant Years 1997 through 2009
As of June 30, 2009**

Set-Aside	Federal Funds Awarded for Set- Asides	Maximum Grant for Set-Aside / Category (as % of Total Federal Grant)	Funds Obligated / Encumbered (optional)	Unobligated Balance	Funds Expended	Balance of Unexpended Funds	Set-Aside Spending Rate
<u>Set-Aside Category</u>							
<u>Administration Set-Aside [b]</u>	2,367,712.11	4%	365,804.00	2,001,908.11	1,978,908.11	388,804.00	83.6%
Small Systems Technical Assistance [c]	1,311,983.89	2%	0.00	1,311,983.89	984,679.89	327,304.00	75.1%
<u>State Program Management</u>							
PWSS (administer State program) [dli]	1,656,369.00		256,710.67	1,399,658.33	1,399,658.33	256,710.67	
Source Water Protection programs [dlii]	0.00		0.00	0.00	0.00	0.00	
Capacity Development strategy [dliii]	0.00		0.00	0.00	0.00	0.00	
Operator Certification program [dliiv]	0.00		0.00	0.00	0.00	0.00	
Total State Program Management (note: 1-to-1 match required on State Program Management)	1,656,369.00	10%	256,710.67	1,399,658.33	1,399,658.33	256,710.67	84.5%
<u>Local Assistance / other State Programs</u>							
Land Acquisition loans [eli]	0.00		0.00	0.00	0.00	0.00	
Source Water Protection loans [elii]	0.00		0.00	0.00	0.00	0.00	
Wellhead Protection [eliii]	0.00		0.00	0.00	0.00	0.00	
PWS Capacity Development assistance [eliv]	2,163,769.00		0.00	2,163,769.00	2,163,769.00	0.00	
SWP areas - Delineation & Assessment [elv]	0.00		0.00	0.00	0.00	0.00	
Total Local Assistance & other State Programs	2,163,769.00	15%	0.00	2,163,769.00	2,163,769.00	0.00	100.0%
Sub-Total: Non-Administration Set-Asides	5,132,121.89		256,710.67	4,875,411.22	4,548,107.22	584,014.67	88.6%
Total - All Set-Aside Activity	7,499,834.00		622,514.67	6,877,319.33	6,527,015.33	972,818.67	87.0%

